

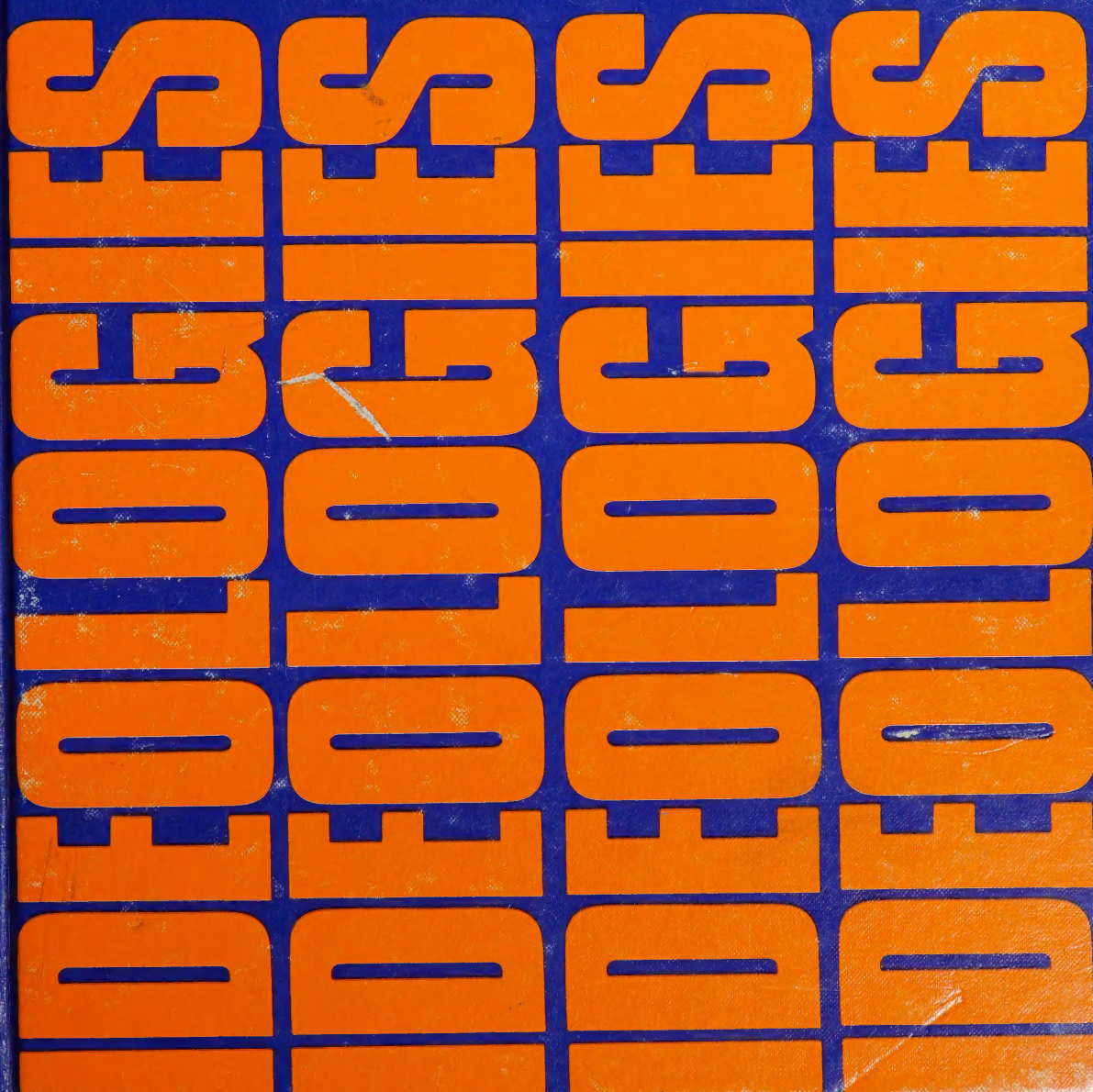
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IDEOLOGIES

D. BALDWIN - W. CALDER





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IDEOLOGIES

DOUGLAS BALDWIN

WILLIAM CALDER

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IDEOLOGIES

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PREFACE

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Finally, we wish to thank our wives — Patty and Mary — for patiently understanding our preoccupation with the completion of this book, which is dedicated to our five future students of the world's ideologies — Mark, Jane, Danny, Taya and Eric.



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VALUES AND POLITICAL AND ECONOMIC SYSTEMS

Every government that ever existed has tried to convince its citizens that its political and economic institutions were the best ever created by human beings or ordained by God. These arguments have been repeated so many times that some people would just as soon believe that the sun rises in the west as to believe that their institutions are inferior to any others. To many North Americans, for example, communism is a bad word, yet in the Soviet Union, North American capitalism and democracy are seen as sinister institu-

This book investigates the major political and economic systems that have shaped the modern western world, and explores Canada's relationship to them. Such a broad and important field of study is inevitably laden with controversy — in fact, disagreement and controversy are the very essence of politics and economics. Inflation, elections, taxes, and welfare policies are only a few instances of controversial topics. The greatest minds in the world have wrestled with these subjects and have been unable to agree on an answer.

It is necessary that you be aware at the very beginning that this is a *critical* book. It does not trumpet the virtues of capitalism and democracy, nor does it emphasize the benefits of non-democratic governments and the centrally-planned economy. Each

economic and political system will be subjected to thorough and probing analysis. If a democratic country is to operate effectively, its citizens must understand not only how its institutions operate, but also their limitations. Throughout this book you will be asked to analyse different ideas, evaluate opposite points of view, and judge issues on their merits. To approach such hotly-debated topics as political and economic systems in any other way would be indoctrination, not education.

Our lives are constantly complicated by the necessity of choosing between two or more options. We have to resolve conflicts

where a choice must be made among a variety of "good" solutions, rather than simply between good and evil. Every day, problems are becoming more complex and difficult to understand, let alone solve. The ability to make reasoned choices among different competing values and ideas is the mark of an intelligent person. It is also an essential skill for handling the dilemmas and problems of everyday life. One method of dealing with most problems consists of applying seven separate but related operations. Let us illustrate this process by approaching the problem of declining energy resources in Canada.

Problem-Solving Question:

How serious is Canada's energy problem, and what should be done about it?

1. Identify the Problem
 - Define what is meant by energy.
 - Establish that there is a problem, and outline its major components (energy shortages, rising fuel prices, public vs. private ownership).
2. Establish Research Questions
 - What has caused the problem?
 - How severe is the problem?
 - How long will the world's (and Canada's) energy reserves last?
 - What non-petroleum sources of energy are available, and how efficient are they?
 - What are all the possible solutions?
3. Gather the Necessary Information to Answer these Questions
 - Discover the extent of oil and gas exploration, and the amount of fuel presently available.
 - Establish who controls the world's energy reserves and how they decide upon pricing and exploration policies.
 - Examine the long-term benefits of energy conservation and conduct a public opinion poll on the topic.
 - Examine the reports of the various oil companies, geologists, and the federal Ministry of Energy, Mines and Resources.
 - Explore how other countries are attempting to handle the problem.
4. Evaluate the Information
 - Discriminate between relevant and irrelevant data.
 - To determine the reliability of each piece of information, ask the following questions:

- Who is the author?
- Have the author's statements on other topics been trustworthy?
- What was the author's motive or purpose for writing?
- What are the values and assumptions of the author?
- What is the author's social, political, and economic background?
- By whom is the author employed?
- How did the author discover the information?
- Do the facts support the conclusion?

—Is more evidence needed? (Is it possible, for example, to accurately determine the extent of the world's energy resources?)

5. Analyse and Synthesize the Information

—Summarize the data in charts and graphs.

—Determine cause and effect. (How much longer, for instance, would Canada's petroleum supply last if the highway speed limit was reduced to eighty kilometres per hour? What effect would the production of electric automobiles have on the world's energy resources?)

—Formulate as many solutions as possible.

6. Resolve the Problem

—Weigh each possible alternative. (What are the probable results of each alternative?)

—Compare the predicted results of each solution.

—Make a decision based upon the evidence.

7. Apply the Decision

—Become an active participant by:

- Writing a letter to your elected representative.
- Organizing a petition or serving on a committee.
- Lowering the thermostat in the house.
- Reading about solar energy.

—Do not do anything.

The most time-consuming step is gathering the information. It is also one of the most important aspects of reaching a judicious decision. The researcher is like a detective; in order to discover what happened and why it happened, the social scientist must search out every clue, no matter how small. One bit of information is obtained from a personal interview with an oil company executive, another from a government geological report. Other possible sources include photographs of the oil derricks in Iran, contemporary novels,

newspaper accounts, and private correspondence between petroleum producing nations — the list is almost endless.

After each source has been evaluated and the information has been analysed, it is time to make a decision. Your conclusion will be based not only upon the available evidence, but also on your own personal values. This is because it is almost impossible to discover everything that happened in the past. Individual motives and future developments are equally difficult to determine. Since it is impossible to know every-

thing, social science, by necessity, involves interpretation. Where interpretation is involved, it is almost impossible to reach a definitive answer, since everyone evaluates or judges the available "facts" according to his or her own values and upbringing. This, however, does not mean that one interpretation is no better than another interpretation. A good conclusion

must take into account all the known "facts" and must make sure that these "facts" don't contradict each other without a suitable explanation. The ability to uncover the best sources of information and to transfer all these pieces of information into a study that explains both how and why is what separates good analysis from bad analysis.



Pictorial evidence needs to be treated somewhat differently from documentary evidence. Frequently, for example, we do not know the photographer, and may not always know the full details of the events depicted. We do know that this photograph was taken in Russia in 1917, and that the troops are revolutionaries. This may be deduced from the weapons, uniforms, vehicle, and buildings in the photo.

Can photos be misleading? What information would we need to know about this one before we could use it as evidence? What information could it *conceal*, rather than reveal?

Miller Services

FACTS AND VALUES

Life is not simply a choice between good and bad alternatives. If each dilemma or problem could be solved by referring to the facts, then it would be a relatively simple task to resolve all conflicts of opinion. In that case, only a lack of knowledge on one or both sides could cause a difference of opinion. Yet we know this is not always so. A group of people can be given exactly the same information and still arrive at different conclusions. Some of your classmates, for example, are concerned about the environment, whereas others aren't. Varying opinions are the result of differing values held by each individual. Values are fundamental ideas about what is important in life. They are standards of conduct which cause people or groups to think and act in certain ways. A fact is simply "what is," while a value is "what ought to be." A disagreement over facts can be resolved, but a dispute over values is much more difficult to resolve. Here are three examples to illustrate the problem:

- Edmonton is a beautiful city.
- John Diefenbaker was a great prime minister.
- Emily Carr was Canada's best artist.

These three statements combine fact and value judgments. It is possible to verify the factual statements: Edmonton is a city; John Diefenbaker was a prime minister of Canada; Emily Carr was an artist. The words "beautiful," "great," and "best," however, are value-laden terms. What exactly do "beautiful" and "great" mean? Is the whole city of Edmonton beautiful or just parts of it? Are skyscrapers and large apartment buildings beautiful or do they

signify crowded living conditions? Was everything that Diefenbaker did great? Did his policies benefit everyone? Is it possible to compare abstract artists to realist painters? Value-laden statements are almost impossible to prove. To many western Canadians, Diefenbaker was a great man because he was responsible for obtaining more markets for western Canadian wheat. A French-Canadian, however, would take a different view because Diefenbaker tended to ignore Quebec. A Calgarian might not think Edmonton is very beautiful simply because of the rivalry between the two cities.

It is impossible not to make value judgments. The important thing is to know and understand your own values and to ensure that they are grounded on a solid base of information. You could, for example, support your belief that Edmonton is a beautiful city by referring to the North Saskatchewan River valley, or other scenic areas in the city. It is also essential that you develop a tolerance for different values and opinions, and an appreciation of the ideas of others. It seems inconceivable that only one religion, one nation, and one lifestyle could be completely correct. Are all the people in other countries, who hold different values than ours, wrong?

Real thinking occurs when a person is asked to evaluate different points of view, arrive at a conclusion, and support it on the basis of facts. If your own value judgments remain unchanged, you will be better able to defend your position. If your values are changed, then you will have discarded an opinion that failed to meet the test, and you will have adopted a sounder point of view.

What are your political and economic values? To evaluate them, read the questionnaire on the next page. List the numbers 1 to 20 in your notebook and mark *agree* or *disagree* beside each number. There is no right or wrong answer.

Questionnaire

1. Each person should have a say in determining his or her fate. Thus, the government should be run by people elected by a majority of the citizens.
2. Canada and the USSR have almost nothing in common.
3. The Canadian economic system ensures that poverty will be kept to a minimum.
4. To always compromise with our political opponents is dangerous because it usually leads to a betrayal of our own side.
5. A socialist economy is designed to benefit the group, rather than the individual.
6. Even though freedom of speech is a worthwhile goal, it is usually necessary to restrict the freedom of speech of some political groups.
7. The average Canadian voter is generally well-informed about election issues.
8. A group which allows much difference of opinion among its members will not exist very long.
9. The private enterprise economic system states that if everyone is free to do exactly as he or she wants, then the whole society will benefit.
10. In this complicated world, the only way we can ensure that the country is run properly is to rely upon leaders or experts who can be trusted.
11. The major problem with socialism is that it destroys people's incentive to work.
12. There are two kinds of people in this world: those who are truthful and those who are not.
13. There is little difference among socialists, Marxists, and communists.
14. Of all the different philosophies in the world, there is probably only one which is correct.
15. A small economic elite has more say in the Canadian government than do the elected representatives (M.P.s).
16. A loyal political follower should subscribe only to his or her party's newspaper.
17. It is impossible to have democracy in a socialist nation.
18. I'd like it if I could find someone to solve all my problems and tell me the right things to do.
19. Dictatorship is not much different from communism.
20. In the history of the world, there have probably been just a handful of really great thinkers.

This questionnaire has two purposes: the first is to discover whether your ideas and values change over the course of the year. At the conclusion of this book you will be asked to return to this questionnaire, answer it, and compare your two sets of answers. The second purpose is to help you discover if you are closed-minded. Add up the *agree's* you have listed for each even-numbered question (2,4,6,8,etc.). The higher the number of *agree's*, the more closed-minded you tend to be.

If you value critical thinking, and you want to be tolerant of other people and receptive to new ideas, then you must attempt to have an open mind toward controversial issues. People who hold their beliefs so strongly that they will not change them, no matter what, are called closed-minded. This means that their minds are closed to many new and different ideas; rather than carefully examining information that conflicts with their views, closed-minded people will reject the information

without considering its merits. Such people tend to judge issues in black and white terms, often evaluating people according to their appearance, their occupation, and their manner of speaking. Closed-minded individuals are more likely to believe what the newspaper, their parents, their minister, or their teacher tell them. Rarely will they question the statements made by these figures of authority or pursue the matter

any further. As a consequence, they are generally ignorant of the views of those who oppose them.

For democratic governments to operate most effectively, their citizens should be open-minded. Democratic people, it is often argued, must be adaptable to change and receptive to different points of view. Tolerance of divergent ideas is basic to democracy because one of the most impor-



One way to discover your biases is to jot down your reactions to a photograph before reading the caption, and then record your reactions after reading it. How do you react to this photo? With sympathy? Curiosity? Indifference? Jot down your feelings before reading on.

How does your response change if you discover that the photo shows:

- a) London, England, after a German attack during World War II;
- b) Detroit, Michigan, after a riot in 1967;
- c) Berlin, Germany, after a combined British-American-Canadian attack in 1945.

Try this test on your friends and family. Then give them the true identity of the photograph, as found on page 11. Record their reactions.

tant aspects of democracy is the recognition that people are different, and, more important, the acceptance of these differences. In contrast to the open-mindedness of the democratic personality, the authoritarian or closed-minded personality is often intolerant, distrustful, conforming, and rigid.

No individual is completely closed- or open-minded. One of the purposes of this study is to expose you to different ideas. Don't accept everything you read without first questioning it, and don't reject new opinions without first considering their merits. The more open-minded you attempt to be, the more you will benefit from this book.

IDEOLOGIES

Our beliefs are influenced by everything we do. As we grow up, we are pushed and pulled in one direction or another by our family, our teachers, and our friends. At times we consciously make a choice between competing religious, scientific, social, and political ideas, but in most cases, we simply accept certain beliefs without making a conscious choice. Gradually we adopt a set of values that we will live with and accept as true. This set of beliefs about the world is called an ideology.

The difference between beliefs and ideologies is that an ideology is a connected set of beliefs that provides a fairly thorough picture of the world and is accepted as true by a group of people. Although there are many different definitions and meanings given to the word "ideology," it generally consists of at least some of the following:

- a set of basic assumptions about human nature and society
- an interpretation of the past
- an explanation of the present
- a vision of the future
- a goal (usually utopian) for which to strive, and a strategy to achieve this goal
- heroes (martyrs, founding fathers, leaders), rituals (pledges, anthems, salutes), and sacred documents (Bibles, manifestos, constitutions)
- a strong emotional appeal which is designed to win converts and encourage action
- a simple, easily understood picture of the world, which it claims is the truth

Although many people are not aware of their own basic beliefs, all contemporary societies have their own ideologies. Few societies, however, are so dominated by a single ideology that there are no alternatives available within the system. Because each ideology is a blend of facts and values, and is intended to have an emotional appeal, people often perceive it in terms of black and white or good and evil, without making the effort to understand what such words as democracy, communism, socialism, nationalism, capitalism, fascism, anarchism, Catholicism, or Protestantism really mean. This is largely due to their unconscious acceptance of one or more of these ideologies.

Ideologies are important because they help people to understand their environment and order their lives accordingly. An ideology provides a way of judging and evaluating a confusing variety of issues and world events. It makes the future seem more predictable and imparts a feeling of security. An ideology also binds people together by providing them with a common value system and way of looking at the world, which contributes to a feeling of belonging. Finally, it promises a good life and provides a method of attaining it.

This book will examine the major economic and political ideologies of the contemporary western world. Although it is true that an ideology is not an accurate depiction of reality, people's actions are based upon their beliefs about what is true. It is therefore important to examine the

underlying values of each nation's political and economic system in order to better understand its actions.

POLITICAL AND ECONOMIC SYSTEMS

The fundamental economic and political problems of every nation are similar to those problems facing every family in the world. Members of each household must decide how their income will be used, who will do what chores, and how such decisions will be made. In many families with young children, the parents jointly decide what will be done (or one parent makes the major decisions) and the children are told what to do. As the children mature, they are given greater responsibilities, but not always more say in family decisions. A major source of disagreement in many households is how the family's income should be used. Because there almost never seems to be enough money to satisfy everyone's needs, most families choose to budget their income. The purchase of a new automobile might mean fewer restaurant meals, and no summer holiday; a new pair of skates might require one member of the family taking a weekend job. In each case, a decision has to be made and carried out.

Each nation faces similar problems. The family income is equivalent to the production or income derived from such non-human resources as farmland, factories, minerals, wood, and petroleum, and such human resources as trained scientists, factory workers, and teachers. These factors of production, as they are called, are limited. Each country must decide how best to use them. Should farmland be employed to produce food, or should it be subdivided into suburban housing? Should universities concentrate on training computer programmers or training surgeons?

The scarcity of human and non-human

resources is the central economic problem of the world. It involves making choices and sacrifices. Each country must decide: 1) What goods should be produced? 2) How will they be produced? 3) Who will own the means by which these goods are produced? 4) How will these goods be divided among the people?

As in the family analogy, someone or some group must make these decisions. The central political problem is determining who should govern. A study of a nation's political structure must examine who exercises power, how power is maintained, who makes all the important decisions, and why these decisions are made.

This book will explore the major political and economic systems of the western world as they have evolved in the nineteenth and twentieth centuries. The political systems that will be examined are dictatorship (rule by one person), oligarchy (rule by a select few), and democracy (rule by the majority). The economic systems that will be analysed are private enterprise, the centrally-planned economy, and the mixed economy.

All economic and political systems are artificial: none of them was sent from the stars. They are made by human beings and can be altered by human beings. The central questions posed by this book are:

- How should each nation's resources best be distributed?
- What political system can best cater to the needs and wishes of its people?
- What are the basic values and beliefs of each economic and political system?

Your answers to these three questions will depend upon which goals or values you think are most important. No system is perfect; the more we know about the goals and values of each, as well as the advantages and disadvantages of our own economic and political systems, the better equipped we will be to improve them.



The scarcity of, and control over, key natural resources such as oil and natural gas, has been a major political issue in the twentieth century. In Canada, it has sometimes led to informal political alliances linking provinces that are widely separated geographically. Here, Premier Lougheed of Alberta and Premier Peckford of Newfoundland discuss mutual concerns during a 1981 visit to an offshore drilling rig near Newfoundland.

Canadian Press (CP) Photo

QUESTIONS:

1. Give an example of a dilemma where a choice must be made from among several "good" solutions.
2. Choose one of the odd-numbered statements in the Questionnaire (1, 3, 5, 7, 9, 11, 13, 15, 17, 19), and outline how you would analyse this topic using the seven step problem-solving method. Use the example of declining energy resources in Canada as a guide.
3. Imagine that a magazine writer wanted to publish a story about you. Make a list of all the different kinds of "evidence" (photographs, report cards, etc.) the journalist could examine to learn about you. What could the reporter learn from each separate source?
4. If you were writing a history of your school, how would your *interpretation* differ from a similar history written by your principal?
5. To evaluate any piece of information it is important to know who wrote it and why it was written. Imagine that you have just read a pamphlet on where to go for your

- summer vacation. What might be the major argument of this tract if it was written by:
- a) the federal Department of Industry, Trade and Commerce, Tourism Branch
 - b) the Newfoundland Department of Development, Tourism Branch
 - c) an avid fisherman
 - d) Air Jamaica
6. Explain why information gained from a diary might be more useful than information from an autobiography.
 7. If you wanted to examine the early history of the Social Credit party of Canada, you might read both the debates in the legislature and contemporary newspapers; you could also interview its present leaders. List three sources of information (other than history textbooks) for each of the following topics:
 - a) A biography of former prime minister Lester B. Pearson.
 - b) The life of a typical western Canadian farmer in the 1880s.
 - c) The propaganda techniques used in the USSR between the two World Wars.
 - d) The extent of poverty in present-day Canada.
 8. What are the value judgments and factual statements in the following:
 - a) The conquest of New France in 1760 was a tragic occurrence for the French-Canadians.
 - b) The savage Indians led by Tecumseh fought bravely at the side of the British.
 - c) Warning: Health and Welfare Canada advises that danger to health increases with amount smoked — avoid inhaling.
 9. Which of these terms are associated with closed-mindedness, and which connote open-mindedness?
tolerance, intolerance, dogmatism, conformism, authoritarianism, rigidity, curiosity, flexibility, prejudice, judgment.

RESEARCH QUESTION:

10. Bring three newspaper headlines to class and be prepared to discuss their particular biases.
-

INTRODUCING GOVERNMENT

Thomas Hobbes (1588–1679)

¹This summary is an abridged and modernized version of the major ideas Hobbes proposed in his *Leviathan*, published in 1651.

²At this time in western history it was generally believed that women were incapable of participating in government because of their physical frailties and their over-emotional nature. The writings of Hobbes, Locke, and Rousseau reflect these beliefs.

only for their own selfish interests. Man's reason shows him that the only solution is the establishment of a society with a stable government. But since agreements without the sword are but words, it is necessary that the government be backed by force. The bonds of words are too weak to control man's ambition and greed without the fear of some coercive power. Individual security thus depends upon the formation of an all-powerful government which can curb man's selfish and aggressive nature.

The establishment of a government commences when every man agrees to relinquish his right to govern himself and gives all power to a man (or to a group of men) who will legislate peace and common defence. The people must promise complete obedience in return for order and security. The only choice is between absolute power or complete anarchy. Freedom is only pos-

sible if the people surrender their liberty to an all-powerful sovereign.

The sovereign's power is absolute, whether the sovereign is an individual or a group of men. Self-interest will persist in this new society, but destructiveness, violence, and war will be prevented by fear of the sovereign's power. Society is established out of fear and maintained out of fear.

Resistance to the sovereign is almost never justified; obedience must last as long as, and no longer than, the ruler is able to protect the people. The sovereign can only maintain peace if he has complete and unlimited authority. If the sovereign loses his power, he ceases to be sovereign and the people are thrown back upon their own devices for self-protection, until they agree to give their obedience (allegiance) to a new sovereign who can protect them.

QUESTIONS:

1. What assumptions does Hobbes make about human beings?
 2. How would Hobbes define freedom?
 3. How would Hobbes justify the sovereign's use of force against his subjects?
 4. Hobbes wrote the *Leviathan* to justify and support the English monarchy (Stuarts), which he felt was the most stable and orderly type of government. At this time, the Stuart monarchy based its rule on the theory of divine right — meaning that the king was chosen by, and responsible only to, God.
 - a) Explain why the friends of the Stuart monarchy believed that Hobbes' writings, which were designed to support the monarchy, were more dangerous than the king's enemies.
 - b) Explain how later thinkers were able to adopt Hobbes' ideas to support a more democratic, albeit monarchical, form of government (to which Hobbes was opposed).
-

John Locke (1632-1704)

Originally, all men were in the state of nature. They remained so until they voluntarily agreed to become members of a society. Everyone is obliged by the natural

moral law (which can be discovered by reason) not to harm another person or take his possessions. This freedom from harm is one of man's natural rights, given to him by God. Fortunately, men are fundamentally reasonable and are inclined to respect

these natural rights. Although in theory everyone should obey these laws, it does not follow that everyone will obey them in practice. Some will try to take advantage of others, and sometimes two people, both believing they are right, will come into conflict. In such situations, strength, rather than justice, will prevail. Judges, written laws, and fixed penalties are thus needed to ensure that man's natural rights are preserved.

Society is not unnatural to man. The family, for instance, is natural to man; society is also natural because it fulfils human needs. It is in man's interest to form an organized society in order to protect his property and his other natural rights.

Political society and government must rest on the consent of the people. Because man is by nature free and independent, no one can rule him without his own consent. The purpose of government is to protect and foster the individual's rights and liberties. This means that it should interfere as little as possible in man's activities. People

are most free when they are left alone. In voluntarily relinquishing the power to protect their own property and maintain their rights, people curtail their liberty. But men relinquish these powers in order to enjoy their liberties more securely, and nobody is obliged to obey unless he has freely agreed to do so.

All laws must rest on the will of the majority, and they must be designed for no other end than for the good of the people. Society can only be dissolved by the agreement of its members. When government does not live up to its trust, rebellion is justified — and the people shall judge when such rebellion is warranted. Government is obligated to rule by the natural and moral laws. Any government which destroys life, liberty, and prosperity has thus forfeited its right to rule.³

³This is an abridged and modernized version of John Locke's ideas on government as presented in his *Two Treatises of Civil Government*, published in 1690.

QUESTIONS:

5. What assumptions does Locke make about human beings?
 6. How does Locke justify the establishment of government?
 7. One criticism of Locke's ideas is that he has a very egoistic view of human behaviour. How could Locke's writings be used to justify the contemporary "me generation"?
 8. Hobbes wrote to defend the English monarchy. John Locke's purpose was to justify the English revolution of 1688, which placed William of Orange and Mary Stuart on the throne and strengthened the role of parliament. Explain how his writings could be used to justify these changes.
-

Jean Jacques Rousseau (1712–1778)

Before the existence of society, man roamed the forests and lived like the animals. He drank from the nearby brook and made his bed at the foot of the nearest tree. This man of nature was without

speech, culture, and mature thought, yet life was peaceful. There were no wars or suffering, because humans generally lived apart from each other and were reluctant to inflict pain upon others. Natural man was neither moral nor vicious; he was not unhappy, but neither was he happy. Self-

ishness, culture, war, affection, vice, and love can only exist in sociable beings who live together in groups.

Natural man differed from the animals in his ability to improve himself. At some point, men united in a society in order to improve themselves — only within society do men become human, developing their mental and moral abilities, their freedom and their individuality. Justice is substituted for instinct. Instead of stupid and unimaginative animals, men become intelligent, moral beings.

The problem is to establish a society which will protect everyone, and in which every man will remain as free as he was before. The solution is for all men to conclude a *social contract*, and agree to place themselves under the direction of the general will. The general will is always right because it functions in the best interests of the entire group — it stands for the universal good. It follows, therefore, that any government whose object is the good

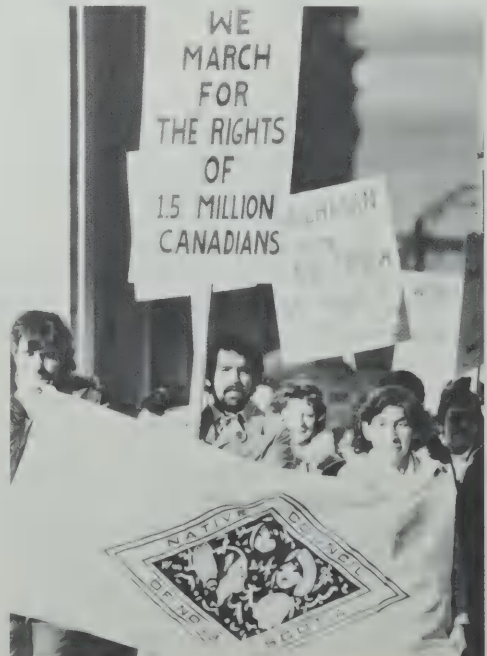
of its people must conform to this general will. A government deserves to be obeyed only if its actions follow the general will.

The general will is simply the common good; it is not necessarily the majority opinion. The will of just one person, for instance, might be the general will if its object was the common good. Those who do not agree with the general will must be forced to obey — they must be forced to be free. The general will is, in reality, the will of everyone (although some might not realize it at the time), and to follow one's own will is to act freely. Therefore, to be forced to conform to one's own will is to be forced to be free. Man serves his own good by serving the common good.⁴

⁴This is an abridged version of Rousseau's ideas. It is difficult to summarize his ideas because his two major works, *Discourse on the Origin of Inequality* (1754) and the *Social Contract* (1762), contain many conflicting, or at least paradoxical, statements.

Based on your reading of the passages from Hobbes, Locke, and Rousseau, what do you think each of them would say about the situation suggested here? The photograph shows native people in Nova Scotia protesting against the phrasing of the aboriginal rights section of the 1981 Canadian Constitution. They felt that it failed to entrench native aboriginal rights adequately.

CP Photo



QUESTIONS:

9. What assumptions does Rousseau make about human nature?
10. How does Rousseau justify the establishment of government?
11. How would Rousseau define freedom?
12. What type(s) of political systems could Rousseau's ideas be used to support and justify? Explain.

SUMMARY QUESTIONS:

13. Compare and contrast the ideas of Hobbes, Locke, and Rousseau under the following headings: (a) human nature (b) the purpose of government (c) the role of reason (d) natural or moral rights (e) the use of force.
14. Write your own analysis of the origins of government. Include in your essay brief discussions of the nature of man, whether there is such a thing as natural rights (and if so, what they are), and the purpose and powers of government.
15. One fundamental question of political theory is: upon what grounds can government be justified? There are at least five different answers to this question:
 - The anarchist's answer is that all governments should be abolished because they all restrict individual freedom. Moral human beings do not need laws. Human goodness will create order.
 - At the opposite extreme from anarchism, some people believe that the possession of power is all the justification that government needs. The leader(s) is the one who can compel others to do his bidding by his strength and intelligence alone.
 - Other people justify government on the grounds that it is ordained or sanctioned by God.
 - Government, according to another group of thinkers, is justified because it was established by an agreement among the people to surrender their rights to the government in return for security and order. This is the idea of the *social contract*.
 - Government can be justified if it works for the general good. Political power is defended on moral grounds and must be obeyed if it lives up to these criteria.
 Rank these five answers from the most to the least convincing. Be prepared to justify your ranking.

RESEARCH QUESTION:

16. Read William Golding's *Lord of the Flies*.
 - a) Discuss the society created by the boys, the major problems they encounter, and the ultimate result.
 - b) Whose ideas (Locke's, Hobbes', or Rousseau's) does Golding adhere to most closely? Explain.
-

WHY STUDY GOVERNMENT?

Government is an integral part of every society. It makes laws, interprets them,

and carries them out. Government affects almost every aspect of our lives — from taxes and transportation to schools and traffic lights. It can prevent us from achiev-

ing our most cherished goals, and it can require us to sacrifice our lives in time of war. The political system might therefore be viewed as the master system of society. The economy is affected by government laws restricting unfair employment practices, regulating labour relations, and establishing tariffs. Family activities are circumscribed by school regulations, medical requirements, and marriage laws. The rules of a society can range from a few simple traditions, passed down orally from one generation to another, to a complex, bureaucratic state.

The study of politics, which is usually called political science, was born when men began to speculate about the rules of society. Should these rules be obeyed? Why do different nations have dissimilar governments? Is there one set of rules which every society should adopt? This inquiry has been going on for thousands of years.

Each generation is faced with deciding whether to accept the rules made or accepted by the previous generation, or whether to modify or replace them with others. The ordinary citizen, faced with the decision of voting for a political party, may be trying to answer the question which Greek philosophers tried to answer over two thousand years ago: what is the best form of government? Of course, ordinary citizens are more likely attempting merely to decide which party will help them the most. Even so, the voter is really asking a similar question: what is the best form of government for me?

GOVERNMENT AND POWER

Monarchy, democracy, dictatorship, fascism, theocracy, constitutional monarchy, communism, aristocracy, oligarchy — the number of different types of governments seems endless. In the fourth century B.C.,

the philosopher Aristotle attempted to simplify the choice by classifying governments according to their distribution of political power. Governments where only one person ruled were termed monarchies. Aristocracies were political systems in which more than one, but not many, ruled. And in democracies the majority of the people administered the state. Although the distribution of power is only one method of categorizing governments, power is an essential ingredient in almost every type of organization. In particular, it is the way in which governments gain and use their power that distinguishes them. An absolute monarch does not usually have to listen to the wishes of his subjects. When King Louis XIV of France said "I am the State," what he meant was really "I am the Government and what I say goes." In a democracy, the people themselves, through their elected representatives, decide how the government should use its power.

The principle of one-person rule is rooted in a philosophy or ideology that supports and justifies the use of power. A street gang in Calgary or Vancouver, for example, is controlled by one person to whom all swear obedience and loyalty. The leader's successful assumption of power is thought to show that he or she is superior to other people. The Mafia is only one example of the success of this philosophy.

The leadership principle, however, is too limited to attract or hold many followers for a long period of time. Ideas are needed to recruit supporters and encourage loyalty. Hitler did this by adopting the belief that the German people were the master race. In the United States, the Ku Klux Klan's ideology states that its members are ordained by God to protect Protestant white society from Negroes, Catholics, and Jews. Historically, most governments based their power upon religion. This was true of the Egyptian pharaohs, the Russian tsars, and the Chinese emperors. Commun-

ist states justify their actions by reference to the doctrine of class warfare against capitalists and to the belief that under communism all property will be administered for the benefit of the working class. In like manner, the belief in the "rule of the majority" is employed by democratic governments to justify their use of power.

Which is the best system of government? To answer this question we must examine the ideology or system of beliefs of the various available choices. The important questions to ask are: who controls power?

How is power maintained and passed on from generation to generation? Upon what basis are decisions made? What are the government's goals and ideals? What role does the individual citizen play in the political system?

In the next two chapters we will examine the strengths and weaknesses of various democratic and non-democratic systems of government. At the conclusion of this section of the book you will be asked to evaluate these political systems and to design your own ideal political system.

QUESTIONS:

17. Draw up a complete record of everything you did yesterday. Identify those things that you did (or did not do) which were affected by government regulations.
 18. Explain the importance of ideas or ideology to the maintenance of political power.
 19.
 - a) List two countries, past or present, for each of Aristotle's categories.
 - b) What are some of the problems you encounter in trying to apply Aristotle's classification scheme to the real world?
 - c) How else might governments be categorized?
 20. Re-read the ideas of Hobbes, Locke, and Rousseau, and decide which one of Aristotle's categories each philosopher would like the best. Explain your choices.
-

THE WORLD'S POLITICAL SYSTEMS: THE IDEALS OF DEMOCRACY

It wasn't always this way. Except for a brief democratic experiment in Athens, Greece, before the birth of Christ, the idea remained unpopular until the nineteenth century. Men of wealth and culture usually rejected democracy because they thought it would destroy their power. Aristotle, for example, argued that since democracy was the rule of the many, and because in all

These basic criticisms of democracy were accepted by nearly every educated person from the earliest historical times down to the second half of the nineteenth century. Then with the flourishing of capitalism in the eighteenth and nineteenth centuries, democracy gradually became an acceptable system of government. Today, most countries *claim* to be democratic.

A DEFINITION OF DEMOCRACY

The fact that such politically different nations as South Africa, Canada, East Germany, West Germany, the United States, and the Soviet Union all claim to be democratic, indicates that democracy has an ambiguous meaning. According to communist theory, democracy is rule by and for the working class. Under its control the nation's resources will be shared equally, and private property — the source of class exploitation — will be abolished. In communist terms, democracy means material equality, not necessarily political liberty. If the state must restrict individual freedom in order to achieve an equal distribution of the nation's wealth, then it should do so. Communists use the term *formal democracy* for such democratic freedoms as freedom of speech, press, and association, and equality before the law. In their view, *real democracy* means economic equality. Western liberal democracies, on the other hand, place the highest value on civil liberties.

To clear up the confusion concerning the meaning of democracy, George Bernard Shaw once suggested that the world's leading scholars and thinkers be brought together to settle the issue once and for all. However, the root of the problem lies much deeper. Disagreements about the meaning of democracy reflect fundamental differences in values and ways of life. Democracy is also a very broad concept. Viewed as a political system, it is a method of conducting government and making laws; as a decision-making process, it is a way of reaching policy decisions in which all adult citizens are entitled to participate; as a social system, it exists to promote and protect individual freedom and equality. But democracy is much more than this — it is a vision of a way of life in which everyone is free to develop his or her potential as a human being.

The actual word “democracy” is a combination of the Greek words *demos* (the people), and *kratein* (to rule), meaning rule by the people. In this book we will define democracy as a political system in which there is a free and open competition for power among various individuals and groups, and in which there is a significant degree of accountability to the people by those who hold the formal positions of power.

DIRECT AND REPRESENTATIVE DEMOCRACY

The genesis of democracy took place several centuries before the birth of Christ in the *polis* of Athens, Greece. A polis consisted of a small town and its immediate surrounding countryside. It had to be large enough to be self-sufficient, but small enough so that everyone would know each other by sight. Because of its size, every citizen had the opportunity to participate in government decisions.¹ In an average year, approximately 15 to 20 percent of the populace served in some governmental capacity. These positions were usually filled by drawing lots, and the most important government jobs were rotated every year or two. Once a week (or when it was necessary) the citizens gathered to decide upon matters of policy; everyone was given the opportunity to speak his mind, and then a decision was reached by majority vote.

This method of government is called *direct democracy*, because the people themselves make the laws. Today, although several New England towns in the United States and some Swiss cantons practice it, no country has adopted direct democracy. Why do you think this is the case?

¹Only *sons* of citizens who had been born in the polis were allowed to participate in government. Women and slaves were excluded.

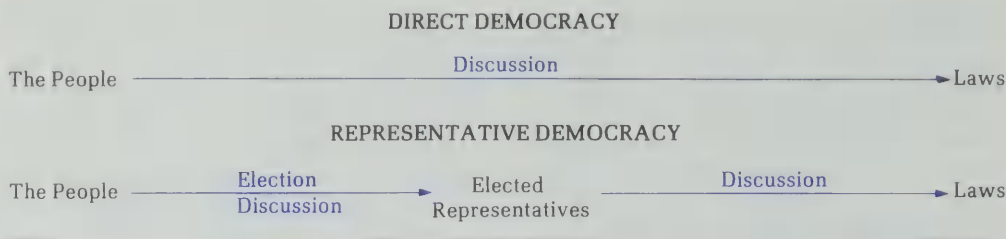


Fig. 1-1

Canada, like most other western nations, is a *representative democracy*. This means that the citizens elect people to represent their interests. These elected representatives then meet and legislate on behalf of the whole nation. Figure 1-1 illustrates the differences between these two forms of democracy.

THE PREREQUISITES OF DEMOCRACY

In the representative system of democracy, the people are one step removed from government decisions. How can a system that separates the citizens from the law-making process be called democratic? Western representative democracies believe that a political system is democratic if the people have effective control over their representatives. During the last two centuries, liberal reformers in such nations as Great Britain, France, Germany, Sweden, Switzerland, Italy, Canada, and the United States have succeeded in gaining a reasonable degree of control over their governments. Just what constitutes a "reasonable degree of control," however, has been a matter of debate.

One such debate centres around the role of the elected representative. Should the representatives make decisions according to their own independent judgments or according to the wishes of their constituents? Supporters of the first viewpoint argue that

the majority of people are not interested in the issues, and if legislators make unpopular decisions they can be voted out of office at the next election. This ensures that the representatives are accountable to the public. Liberal cabinet minister C.G. ("Chubby") Power defended this view in the Canadian House of Commons:

A member of Parliament, when he is elected by his constituency . . . is elected, not to be the mouthpiece or delegate of any group or class in his constituency, but to represent in this House the whole people of Canada. He comes here to give his best judgment upon the questions which are put before him — not to give a decision upon instructions he may have received from people thousands of miles away who know nothing of the question under discussion. . . . I do not believe in that kind of democracy.

The second viewpoint asserts that the representatives are the people's agents. The legislators, it is argued, are obligated to discover their constituents' views and to act upon them. This view was expressed in the House of Commons by Opposition member W.M. Good:

I fully recognize that the average elector has neither the time nor the facilities for securing information which will enable him to decide wisely on many complicated ques-

tions of legislation. But that does not mean that I would deprive the people themselves of that ultimate authority which I think they ought to have. I employ technical advisers myself — lawyers, doctors, engineers and so forth; but I do not give them blank cheques, nor do they presume to take the attitude common among politicians under the party system.

No matter which viewpoint you favour, several conditions are necessary in order to ensure popular control over government decisions. These include:

1. The people should be able to remove their leaders and replace them with more suitable representatives. This requires

that:

- a) Elections be held at relatively frequent and guaranteed intervals.
- b) There is a real choice between different candidates and parties.
- c) Elections are reasonably free of fraud, bribery, and intimidation. This usually implies the use of a secret ballot to protect the voters from being punished for their political opinions.
- d) There is universal suffrage. The larger the franchise, the greater the degree of democracy.
- e) Freedom of association prevails. Unless those people who want to run for election have the freedom to organize, it would be impossible to present the electorate with an effective alternative.



Voters line up to cast their ballots in an Alberta provincial general election. To what extent does the right to vote help to ensure that Canadian politicians are accountable to the people? What other institutions and mechanisms exist to ensure accountability? If you were attempting to measure the effectiveness of all these mechanisms in achieving accountability, how would you do so?

2. Formal equality before the law. Every citizen has the same political and legal rights.
3. To insure legal equality, the judges should be free from political or other control.
4. Such civil liberties as freedom of speech, freedom of the media, protection for minority groups, and freedom from arbitrary arrest and prosecution must be guaranteed.

FUNDAMENTAL RIGHTS

All democratic nations believe that certain human rights are essential to the full development of the individual's personality. Some rights have been considered so essential that they are called *natural rights*, meaning that they are beyond argument. In seventeenth-century England, for example, John Locke stated that mankind's fundamental natural rights included protection of private property, and the right not to be destroyed or enslaved. The United States Declaration of Independence in 1776 stated:

We hold these truths to be self-evident . . . that all men are created equal; that they are endowed by their Creator with inalienable rights; that among these rights are life, liberty, and the pursuit of happiness.

The obvious assumption behind these two statements is that human nature is the same everywhere. Whether or not one accepts this assumption, it is true that what one country believes are fundamental rights are not necessarily the beliefs of another nation. The French Declaration of Rights, for instance, was written only thirteen years after the American Revolution, but it contained no mention of the "pursuit of happiness." Instead, it dealt with the need to protect liberty and property, to prevent arbitrary arrest, and to limit ex-

cessive taxation. The differences between the countries, of course, was more a reflection of the specific needs and historical development of the United States and France than a difference in human nature.

Natural rights not only mean different things to different people, but they have also changed with the times. In the eighteenth century, rights were discussed almost exclusively in political terms. A number of social or economic rights which today are believed to be natural or normal were not even thought of a century and a half ago. The United Nations' Universal Declaration of Human Rights, for example, acknowledges the right of an individual to work for a living, to earn equal pay for equal work, to join a trade union, to obtain education, and to be cared for by the state in times of sickness. Most western nations now assume that political rights alone cannot achieve individual equality and liberty.

The concept of fundamental rights is therefore subjective. Rights are "self-evident" only in their own time and place, and even then they are often interpreted in widely different ways. Perhaps the best guarantee of good government was stated by a French philosopher who, in replying to a question from Tsarina Catherine of Russia, stated: "There is only one base, Madam: the nature of things and of men."

THE ADVANTAGES OF DEMOCRACY

Because democracy can be defined in many different ways, the arguments in its favour have been posed in a variety of guises. One of the most persistent defences of democracy is that it ensures that government policies will be made in the interest of the people. The argument is as follows: the rule of a few will produce a government that passes laws for the benefit of the few. The rule of the many will create a government

In 1974, Pauline Tremblay was not allowed to play soccer in the all-male B.C. Juvenile Soccer Association. She is shown here with her mother, leaving the courthouse in Vancouver after seeking a court injunction that would allow her to play soccer. To what extent can the court system in a democracy defend individual rights?

Vancouver Province Photo by Peter Hulbert



that legislates on behalf of the majority. In other words, those people who hold political power will use it for their own benefit. Therefore if the wishes of the entire community are to be followed, all must rule. Government *of* the people is most likely to be government *for* the people.

Another argument in favour of democracy emphasizes its ability to safeguard individual liberties. Free competition among contending political parties provides a check against possible governmental tyranny and oppression, just as periodic elections provide a powerful antidote to the corrupting effect of political power. This essentially negative view of democracy thus assumes that democratic government will be less arbitrary in its actions than will other political systems.

Another group of political theorists as-

serts that democracy is more than just a method of arriving at decisions. To them, the democratic process is a means of developing or moulding a democratic-minded citizenry. The democratic environment, it is assumed, will promote the creation of self-governing, confident, inquiring, intelligent human beings who are willing to compromise and are respectful of different opinions and values. Because decision-making in a democracy relies upon voluntary co-operation and the arts of verbal and written persuasion, physical violence is replaced by peaceful coercion, and force is replaced by intelligence. In addition, by actively taking part in elections and voluntary organizations, citizens will develop a co-operative, public-spirited character that will place the good of the entire society above narrow, self-interested goals.

SOME DRAWBACKS TO DEMOCRACY

Several years ago, an influential British Member of Parliament visiting Canada stated, "What is wrong in my country — and I have a suspicion it is wrong over here as well — is that contrast between the reality of how we politicians behave, and the legend of how we behave." Textbooks are full of descriptions about how democracy works. Popular theory implies that there is an all-competent citizenry which is capable of settling any public problem. The free press provides people with all the facts, and after people listen to the pros and cons of each issue they make up their minds. Proper machinery is then provided to enable citizens to elect those candidates who will do their bidding. The contrast between this theory and the actual reality of politics has undermined the ordinary citizen's confidence in democratic government and in the integrity of its leaders.

To admit that there is a difference between the theory and practice of democracy does not mean that democracy is a sham or that we should discard it completely. This admission, in fact, should help strengthen our democratic system of government, because we can then concentrate our efforts upon improving its defects. The remainder of this introduction will outline some of the major criticisms of democracy, and the Case Studies following it will explore some of these criticisms in greater depth.

Tyranny of the Majority

Most democracies rely upon a simple parliamentary majority (50 percent plus one) in making policy decisions. This is based on the dual assumption that the majority is more likely to be correct than the minority, and that the majority is entitled to have its own way. Unfortunately, this has frequently led to what is called "the tyranny of the

majority," which means that the minority is deprived of its rights. Historical examples of such tyranny include white domination of blacks in the southern United States, the treatment of native Indian populations in Canada and the United States, Protestant oppression of Roman Catholics in Northern Ireland. Apartheid in South Africa is an example of tyranny by the minority.

Inefficiency

Some critics claim that technology has progressed too fast for democracy to handle it effectively. The phenomenal growth of economic, scientific, and technical information makes it impossible for the average person to remain well informed. Members of Parliament are in most cases poorly equipped to cope with the increasing size and complexity of government activities. As a result, democratic government is too slow and inefficient to meet the demands of a rapidly changing world. Here the critics might point to Canada's snail-like pace in patriating our Constitution or in devising a method of amending it, to substantiate their point of view.

Elite Groups

Some political scientists argue that in all large organizations, power and political influence gradually fall into the hands of a few leaders who soon lose touch with the rank and file. As a result, the minority imposes its opinion upon the majority. Democratic governments, they argue, are no exception. In western democracies, this minority usually consists of wealthy citizens who have the time, influence, and money to ensure that their needs are catered to by the government.

Another form of undue influence is the existence of lobbies and pressure groups which put enormous political pressure upon the government in power to do their

PLURALISM

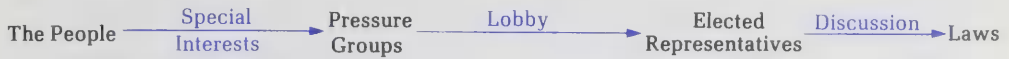


Fig. 1-2

bidding. Examples include the Canadian Manufacturers' Association, Greenpeace, pro- and anti-gun lobbies, pro- and anti-abortionists, labour unions, and pollution and nuclear disarmament organizations.

According to some writers, however, the existence of such interest groups within society actually serves to strengthen democracy, because these groups enable concerned citizens to express their opinions about any legislation which directly affects them. In theory, competition between interest groups representing different concerns allows people to exert greater control over decisions of the government. This theory is called *pluralism*.

There are, however, several serious criticisms of pluralism. As Figure 1-2 illustrates, the people are another step further removed from the decision-making process. Active participation in pressure groups requires more time, money, and knowledge than most people possess. Many citizens do not have organizations to represent their interests, nor is every pressure group equal in terms of finances, power, or access to influential people. As a result, some critics believe that Canada and other western democracies are ruled in effect by a small number of people who control the economy and influence government decisions.

The Uninterested Electorate

According to some critics, democracy expects too much from the citizen. Democratic reformers, it is argued, have concentrated so much of their effort on providing democratic institutions that they have forgotten that most people are more interested in sports, movies, or their work,

than they are in politics. This lack of interest is aggravated by the growing size and complexity of government — and the civil service — which leaves the average citizen feeling powerless and alienated from government.

CONCLUSION

In this introduction to democracy, we have examined the origins, goals, prerequisites, and fundamental principles of democracy. In the real world, each democratic nation has adopted its own variation of democracy, based upon its own history, culture, values, and goals. It is unrealistic to think that one particular political system can satisfy every nation's needs, just as it is unrealistic to believe that any one method of government is without flaws.

In the following Case Studies, we will examine the political institutions of Canada, the United States, and Sweden, before turning our attention to several important issues that challenge the ultimate viability of democracy. Although democratic governments vary from place to place, they can be evaluated according to the extent to which:

- government decisions are subject to popular control.
- the ordinary citizen is involved in the running of the nation.
- individual liberties are upheld.

The choice of appropriate institutions to achieve our goals will depend upon what we want from democracy. The intention of the rest of this chapter is to explore some of the criticisms of Canadian democracy with a view toward improving, rather than destroying, the system. What changes, if any, would you like to see implemented?

QUESTIONS:

1. Why do you think that countries which are not democratic in nature claim to be democracies?
2. Explain why it is so difficult to define democracy.
3. In the past, *direct democracy* was generally considered impractical because of distance and the number of people involved. Technology has now advanced sufficiently to enable everyone to listen to debates in the House of Commons, and to immediately express an opinion on every government policy.
 - a) Explain how this technological feat could be accomplished.
 - b) What changes might it produce in our system of government?
 - c) Do you think it would be a good idea? Explain.
4. In the past, Canadian governments have occasionally asked people for their opinions on important questions before reaching a final decision. At the turn of the century, the Laurier government conducted a referendum to discover the general attitude to prohibition of alcohol; during the Second World War, the Mackenzie King government asked the people if they would release the government from election promises it had made; more recently, the Quebec government asked its citizens for permission to negotiate a new constitution with the federal government.
 - a) Do you think referenda should be used more frequently? Explain.
 - b) Should the government be required to act upon referenda results? Explain.
 - c) Research one of these referenda and report on the issue, the result, and the government's decision.
5. Explain why freedom of speech and freedom of the media are important prerequisites of democracy.
6. Explain why many nations now believe that political rights alone cannot achieve equality and individual liberty.
7. Discuss how living in a democracy might promote the development of inquiring, tolerant people.

RESEARCH QUESTIONS

8. Select *one* of the following topics. Research it (either in the library, or by conducting a survey) and write an essay on the topic. This essay should include the pro and con arguments, and it should arrive at a well-reasoned conclusion. Use the problem-solving techniques outlined in Unit One to prepare your essay.
 - a) In a democracy, everyone should be forced to vote in elections.
 - b) Political parties that advocate non-democratic systems of government should be prohibited.
 - c) Everyone should be required to pass a political knowledge and current events test before being allowed to vote.
 - d) Elections should be held no more than one or two years apart.
 - e) Elected representatives should act according to their own consciences, not according to the desires of their constituents.

-
9. Divide into small groups to do this question. Imagine that there is going to be an election for the student council. Your group has been appointed to prepare a list of rules and regulations for this election. Draw up a document explaining: (1) who can vote (teachers?), what campaign practices will be prohibited, and how the voting will be conducted (2) how you will ensure that the class representatives will act in the best interests of their classmates after they are elected.
 10. Design a constitution for your school, defining the rights of the students and the extent and limits of the teachers' powers. What are the goals or purposes of this constitution?
-

DEMOCRATIC INSTITUTIONS IN CANADA AND THE UNITED STATES

This is the theory. In practice, the immense control exerted by political parties generally prevents individual M.P.s from voting against their party's policies. To date, the only examples of a government losing office as a result of a defeat in the House occurred in 1873 over the Pacific Railway scandal; in 1926, when Arthur Meighen was defeated by Mackenzie King; and in 1979, when Joe Clark's budget was

defeated by the combined vote of the Liberals and the N.D.P. In the last two cases, the defeat was made possible by the presence of a minority government.

THE UNITED STATES GOVERNMENT

In Washington, D.C., there are three famous buildings which symbolize the government of the United States of America: the White House is the residence of the president (the executive power); on "the Hill," a little distance from the White House, is the Capitol building, which is the home of the Senate and the House of Representatives (the legislative power); still higher on the Hill is the Supreme Court building (the judicial power). The existence of these separate buildings symbolizes the division among the executive, legislative, and judicial branches of the U.S. government. In order to prevent any one group or party from becoming too powerful, the American Constitution has divided the powers of government among these three branches and established a system of checks and balances designed to prevent any one group from controlling the state. This separation of executive, legislative, and judicial powers is one of the most important differences between the Canadian and American governments.

The Executive Branch in Canada and the United States

In the United States, the chief executive is the president, who is responsible for the enforcement of laws and for the negotiation of treaties with foreign nations. He is commander-in-chief of the armed forces and he appoints federal judges and government ambassadors (subject to the approval of the Senate). The president recommends laws to Congress (Senate and House of Representatives), and signs or vetoes meas-

ures passed by Congress.

There are two major differences between the American congressional system of executive power and the parliamentary system of executive power. In the American government, the executive power is in the hands of one person, the president. The executive power in Canada is controlled by the cabinet and the prime minister, who are jointly responsible for government decisions.¹

The second difference is even more significant. In the parliamentary system, cabinet ministers are Members of Parliament and they retain their office only as long as they have the support of the majority of the House of Commons. The executive is therefore responsible to the elected Members of Parliament. The president, on the other hand, is not a member of Congress and is not responsible to that body. The chief executive is elected for a four-year period and holds office for the duration of this term despite the fact that his party may not have a majority in Congress. This executive independence was founded on the belief that the president should not be a servant of the two houses of Congress. The prime minister's position, on the other hand, is based upon the belief that the executive should be responsible to the House of Commons.

This difference is illustrated by the manner in which each is elected. Presidential elections are held on the Tuesday following the first Monday in November of any year that can be divided evenly by four — such as 1976, 1980, 1984, and 1988. A president cannot be elected for more than two consecutive terms. In Canada, a national election must be called within five years of a government attaining office, but it can be held any time within the five-year period.

¹American cabinet ministers are appointed by the president and are not members of Congress, nor are they responsible to it.



THE EXECUTIVE	
CANADA	UNITED STATES
<p>Prime Minister</p>  <ul style="list-style-type: none"> • Leader of the political party which has the support of the House of Commons. • Member of Parliament. • Term up to five years. • May be re-elected indefinitely. 	<p>President</p>  <ul style="list-style-type: none"> • Elected for a four year term. • May be re-elected only once. • Leader of a political party. • Not a member of Congress.
<p>Powers</p> <ul style="list-style-type: none"> • Proposes policies for the nation. • Chooses cabinet. • Must resign if loses support of the House of Commons. 	<p>Powers</p> <ul style="list-style-type: none"> • Proposes policies for the nation. • Chooses cabinet. • Retains position even when proposals are defeated by the legislature. • Signs or vetoes bills passed by Congress. • Commander-in-Chief of the armed forces.

Fig. 1-3

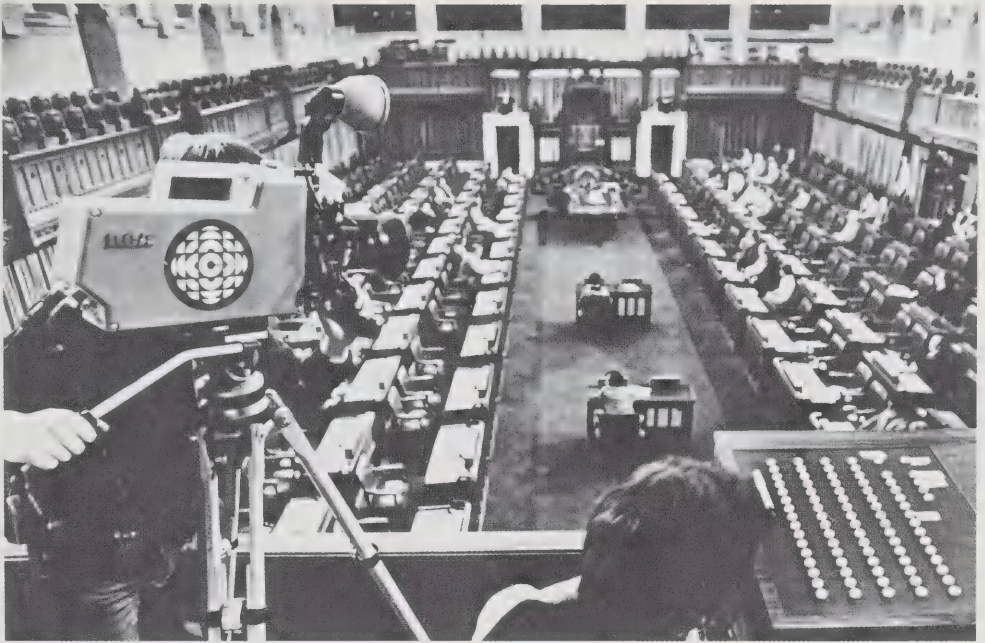
The prime minister is not elected separately, but is the leader of the political party with the largest number of supporters in the House of Commons, and can retain that position as long as he or she has the support of Parliament.

The Legislative Branch

One of the first things that a Canadian visitor to the American Congress would notice is that the seating arrangement is quite different from that of the House of Commons. Examine the two photographs shown opposite and describe the differences in seating and other physical arrangements. What do they illustrate about the differences between government and opposition in Canada *and* in the United States?

In a parliamentary system, most of the important bills are drawn up by the cabinet and are introduced into the House of Commons as "government measures," which means that the executive will resign if they are defeated. In the American government, the president recommends legislation, but Congress does not have to pass it. In fact, each house usually writes its own bills and then holds extensive negotiations before reaching a final agreement.

The legislative branches in both countries consist of two houses. The American Senate, however, is far more important than the Canadian Senate, and is more powerful than the House of Representatives. This is because it has the right to approve or reject the president's appointments to the Supreme Court, ambassadors to foreign states, and all cabinet ministers.



The Canadian House of Commons.

CP Photo



The U.S. House of Representatives.

Courtesy U.S. Information Services

Treaties made by the president with other nations must also be ratified by a two-thirds majority of the Senate. Canadian senators are appointed for life, whereas in the United States, each state elects two senators for six-year terms. To ensure a greater element of democracy in the American Senate, one-third of the Senate positions come up for re-election every two years.

The House of Representatives is elected for a two-year term, whereas the House of Commons has a flexible term of up to five years. Both lower houses may initiate bills dealing with money matters. The House of Representatives, in co-operation with the Senate, can override the president's veto if a two-thirds majority of both houses is secured. The House of Commons, however, can reverse any executive decision by a simple majority vote, and may also remove the cabinet if it wishes.

The Judicial Branch

The most important court in both countries is the Supreme Court. Its judges are appointed by the executive and hold their positions until retirement. The Supreme Courts in the United States and Canada are the final courts of appeal.

Because the United States is governed by a written constitution, compared to Canada's partly-written, partly-by-custom constitution, the American Supreme Court has had a tremendous influence on the nation's development. It is the Supreme Court which is responsible for interpreting the Constitution and deciding whether a government law or practice is constitutional or not — it has the last word.

Checks and Balances in the U.S.

It should now be evident what Americans mean by the terms *separation of powers* and *checks and balances*. Each of the three

branches of government acts as a check on the freedom of the others. The president commands the armed forces, but only Congress may declare war or vote money for troops. All bills passed by Congress must be signed by the president before they become law; Congress, however, can override the president's veto by passing the same bill again with a two-thirds majority in each house. Congress can also refuse to vote the money required by the president to implement his policies. The Supreme Court, through its right to interpret the Constitution, can check both the executive and legislative branches by declaring a law unconstitutional. Yet even the Supreme Court's powers are not absolute — new judges can be appointed by the president with the Senate's approval, and the existing judges can be impeached by the House of Representatives.

Canada and the United States are just two examples of democracies. Approximately one nation in every four has a democratic government, although each differs in some way from the other. Great Britain, for example, has a *unitary* rather than *federal* system of government.² France and West Germany have a plethora of political parties.

A country's system of government is a product of its history, values, and goals. The differences between Canada and the United States, for instance, are partly the result of their different relationship with Great Britain. Both were colonies of Great Britain, but the United States had to fight for its freedom whereas Canada achieved it peacefully. No wonder Canada's government more closely resembles the British system.

²A *federal* system has one national government and a number of state or provincial governments which share the responsibility of ruling the country.

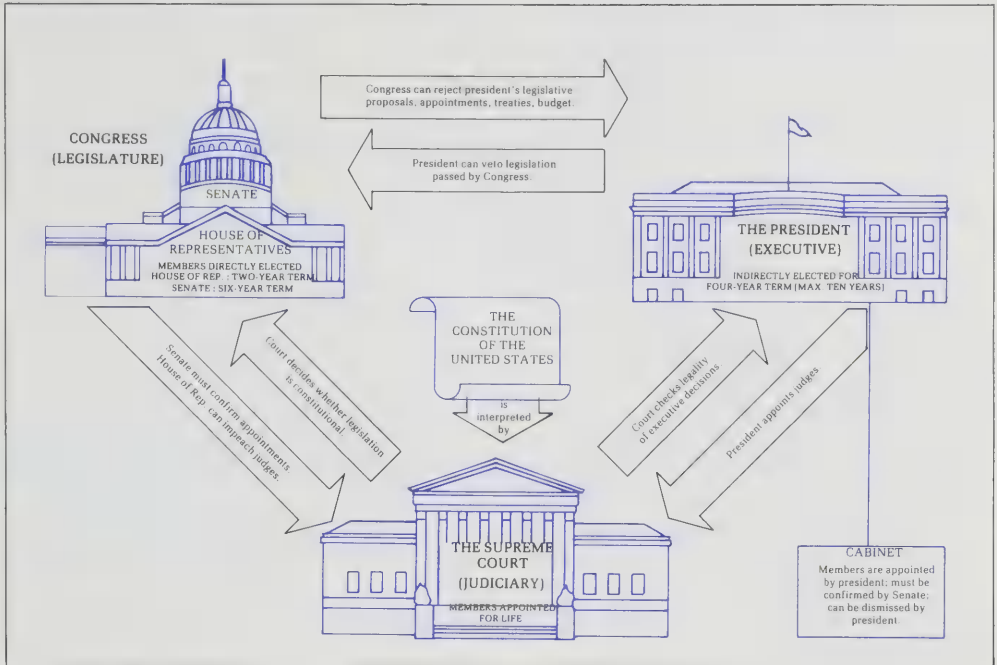


Fig. 1-4: Checks and balances in the American political structure.

From *Canadians and Their Government*, by G.W. Brown.



This photo shows a demonstration at the 1980 Liberal leadership convention in Nova Scotia. To what extent has American political practice, such as leadership conventions, influenced Canadian political practice?

CP Photo

QUESTIONS:

1. Define the terms *responsible government*, *federalism*, *Congress*, *checks and balances*.
2. Using Figure 1-3 as a guide, devise your own chart for the legislative branch of government for both Canada and the United States.
3. Which system do you think is more democratic? Explain your choice.
4. Write a short answer to the following question: should the prime minister be selected in the Canadian manner, or should he or she be elected separately, (as in the United States)?

RESEARCH QUESTIONS:

5. The American system of government is often criticized because its division of powers can result in clashes between the president and Congress, which serves to delay needed legislation. It is praised for its democratic nature, which prevents any one group from gaining control over the nation. Canada's government, on the other hand, may act in a very dictatorial manner, yet it can move quickly when action is required. Prepare for a debate on the topic: Canada's system of government is preferable to the American system of government.
6. Using the techniques outlined in Unit One, research and write an essay on one of the following topics:
 - a) The powers of the Canadian Senate, and whether or not it should be abolished.
 - b) The role of the Governor-General in Canadian politics, and whether the monarchy should be abolished in Canada.
 - c) The method of nominating presidential candidates. Is it preferable to the Canadian method of obtaining prime ministers?
 - d) Federal union (Canada, the United States), vs. legislative union (Great Britain).
 - e) The division of powers in Canada, the United States, or Switzerland, between the central government and the regional (provincial) governments.
 - f) How a bill becomes law in Canada (— how it is passed in Parliament).
 - g) The role and importance of the civil service in Canada.

Useful sources for the Canadian government include: J.R. Mallory, *The Structure of Canadian Government*, Toronto: Macmillan, 1971; R.M. Dawson, *The Government of Canada*, University of Toronto Press, 1967; J.A. Corry and J.E. Hodgetts, *Democratic Government and Politics*, University of Toronto Press, 1959; N. Ward, *The Canadian House of Commons: Representation*, University of Toronto Press, 1950.

DEMOCRACY IN SWEDEN

DEMOCRACY IN SWEDEN

approval of the Riksdag. Thus, unlike the American system of separation of powers, the governing political party combines both the executive and legislative functions.

37

following account by an American political scientist describes the politics of compromise in Sweden:

On a Saturday morning in the university city of Uppsala, on a pedestrian mall in front of a modern supermarket (actually a consumers' cooperative), gather students of the major political persuasions plus adherents to half a dozen ultraleft grouplets. They hold up banners and placards, distribute leaflets, and sell party newspapers. Three young Conservatives take turns speaking through a small public address system they have set up, explaining that they are not reactionaries (indeed, they call themselves "moderates"), but that taxes, centralization, and planning have gone too far in Sweden and are driving out individual initiative

and freedom. Facing them are the banners of Trotskyists and Maoists, demanding a total reconstruction of Sweden's society. The Conservatives finish speaking, there is scattered applause (not, of course, from the Trotskyists and Maoists). There are no catcalls, no attempts to interrupt, and nothing is thrown. Instead, the members of the various groups circulate politely, passing out their literature, and occasionally explain what they stand for. The visiting American, familiar with other parts of Europe and with U.S. campuses in the late 1960s and early 1970s, is slightly amazed. Why aren't they hitting each other, shouting down their opponents, heckling the speakers? Why aren't police patrolling the area? The answer is simple: such is



A political demonstration with a difference: to protest motor traffic and its effects in downtown Stockholm, Swedish cyclists obstruct traffic. They belong to a political movement called Alternative City. Some are wearing masks to dramatize their concern about automobile exhaust fumes.

not the Swedish way. Swedes are so thoroughly civil that even when they disagree with each other — and their disagreements are serious — they stick to the norms of polite society. Violence is out of the question.¹

The opposition parties do not oppose the government so much as they negotiate, bargain, and compromise with it. The Social Democratic Labour party, for example, held continuous power from 1932 to 1976, yet only twice did it have a majority of the seats in the Riksdag. Trained specialists within the civil service are assigned the task of researching and designing needed legislation. Part of this research involves consultation with all the groups that might be affected by the legislation. The final draft is submitted to these interest groups for their comments, and then the draft and the comments are presented to the Riksdag for discussion.

¹Michael Roskin, *Other Governments of Europe: Sweden, Spain, Italy, Yugoslavia, and East Germany*, New Jersey: Prentice-Hall, 1977, pp. 23-24.

Parliament itself is an aggregation of interest groups. Most of the important labour leaders, business people, and representatives from other important groups in society are elected to the Riksdag. This multi-level office holding blurs the distinction between public and private interests in Sweden, and provides another check on unpopular legislation. In Sweden, politics are thought of in terms of co-operation rather than conflict.

PROPORTIONAL REPRESENTATION

Another major difference from North American governments is the method by which the triennial Riksdag is elected. The Swedes believe that single-member constituencies like those in Canada and Great Britain result in a waste of votes, and can create parliaments that do not accurately reflect the nationwide strength of each party. The Canadian election statistics reproduced in Table 1-1 illustrate this point. Using the percent of the popular vote received by each party, compute the number of seats each party should have gained.

TABLE 1-1: CANADIAN FEDERAL ELECTION RESULTS, 1968-1980

Election Year	Total Seats	Conservative party		Liberal party		New Democratic party	
		Total Seats	% Popular Vote	Total Seats	% Popular Vote	Total Seats	% Popular Vote
1968	264	72	31	155	45	21	17
1972	264	107	35	109	38	31	18
1974	264	95	35	141	43	16	15
1979	282	136	36	114	40	26	18
1980	282	103	33	146	44	32	20

QUESTIONS:

1. To what extent does the percent of seats gained by each party reflect popular opinion?
2. What effect might the Canadian single-member constituency have on third party success?

Sweden's solution to these problems is proportional representation. Each constituency is allotted several seats and the voters cast their ballots for the political party (not the candidate) of their choice. Within every electoral district, the parties may nominate as many candidates as the number of seats provided for the riding. These representatives are then ranked by the party in order of preference. If the party wins three seats, then the first three names on their slate of candidates are elected to the Riksdag.² These seats are won according to the proportion of the vote received by each party. In this way, 310 members are elected to parliament. Another thirty-nine seats are allotted to the parties on the basis of their total votes ob-

tained *nationally*. This compensates for any differences among the parties' percentage of seats and their general popularity. To prevent a proliferation of smaller political groups, a party must obtain at least 12 percent of the total vote in a single riding, or 4 percent of the nationwide vote, to obtain representation in the Riksdag. Somewhat similar systems are used in Holland, Israel, Ireland, and Japan.

One criticism of Sweden's system of proportional representation is that the political party can exert more control over its members than is possible in a single-member constituency. The candidates are chosen by the local party leaders, and if they do not "tow the line," the nominee might be listed at the bottom of the slate of candidates, thereby virtually ending all chances of election. Swedish electors are also forced to vote for a party rather than a candidate.

²Members are elected for a three-year term. Almost 90 percent of all eligible voters cast their ballots at each election.

QUESTIONS:

3. Make a list of the similarities and the differences between the Swedish and Canadian systems of government.
 4. The allocation of seats in Sweden is determined in the following manner:
 - a) The total vote for each party is divided by 1.4. The party with the highest total is awarded the first seat.
 - b) The total vote for the winning party is then divided by three, and this new figure is compared to the total the other parties received after dividing by 1.4. The party with the highest total is awarded the second seat.
 - c) The party which won the second seat has its original vote divided by three, and this new figure is then compared to the other parties' totals as listed in step (b). The highest total is awarded the third seat.
 - d) Once a party has won twice, its total vote is divided by five. After its third seat, the total is divided by seven. Table 1-2 illustrates the process.
 5. How would this system change the parties' representation in Canada? Apply the Swedish system of proportional representation to the 1980 federal election results shown in Table 1-3.
 - a) What, if any, differences would there be in the final results?
 - b) Do you consider this a better system than Canada's single member constituencies? Explain.
-

TABLE 1-2: ALLOCATION OF SEATS IN SWEDEN

	Party A	Party B	Party C	Party D	Party E	Seat Awarded to Party
Total Vote Polled	$\frac{13\ 000}{1.4} =$	$\frac{10\ 200}{1.4} =$	$\frac{30\ 300}{1.4} =$	$\frac{52\ 500}{1.4} =$	$\frac{4\ 000}{1.4} =$	
Seat 1	9 286	7 285	21 643	37 500 $\frac{52\ 500}{3} =$	2 857	D
Seat 2	9 286	7 285	21 643 $\frac{30\ 300}{3} =$	17 500	2 857	C
Seat 3	9 286	7 285	10 100	17 500 $\frac{52\ 500}{5} =$	2 857	D
Seat 4	9 286	7 285	10 100	10 500 $\frac{52\ 500}{7} =$	2 857	D
Seat 5	9 286	7 285	10 100 $\frac{30\ 300}{5} =$	7 500	2 857	C
Seat 6	9 286 $\frac{13\ 000}{3} =$	7 285	6 060	7 500	2 857	A
Seat 7	4 333	7 285	6 060	7 500	2 857	D

Source: Figures adapted from Allan Ingelsson, *Så regleras Sverige*, Stockholm: Bonniers, 1965, p. 31.

TABLE 1-3: SASKATCHEWAN FEDERAL ELECTION RESULTS-1980

Assiniboia		Regina East		Swift Current-Maple Creek	
xGustafson, Len, PC	11 251	xde Jong, Simon, NDP	13 610	xHamilton, Frank, PC	12 917
Goodale, Ralph, L	10 165	Keple, Brian, PC	12 603	Gates, Ron, NDP	8 338
MacKenzie, Randy, NDP	9 710	Merchant, Tony, L	10 302	Maurice, Gene, L	5 673
Eddy, Walton, SC	178	Hoover, Derron H.X., Rhi	301		
		White, Jerry, WCP	70		
Humboldt-Lake Centre		Beal, Carl George, M-L	63	Prince Albert	
xAlthouse, Vic, NDP	13 218	Massie, Gordon, Com	39	xHovdebo, Stan, NDP	11 619
Richardson, George, PC	11 962			Harradence, Clyne, L	10 851
Bencharski, Joe, L	7 269			Eggum, Kris PC	10 739
		Regina West			
		xBenjamin, Les, NDP	17 593		
Kindersley-Lloydminster		Bozak, Spence, PC	13 484	Qu'Appelle-Moose Mountain	
xMcKnight, Bill, PC	14 220	Favel, Fred, L	10 211	xHamilton, Alvin, PC	13 677
Nargang, Wayne G., NDP	9 587	Lampert, David S., WCP	153	McCorriston, Mel, NDP	7 860
Tobin, John B., L	6 804	Corkill, Keith, ML	56	Lowe, E.W., Jim, L	6 033
Bowden, Ross Dunning, Rhi	292				
		Saskatoon East		The Battlefords-Meadow Lake	
Mackenzie		xOgle, Bob, NDP	12 946	xAnguish, Doug, NDP	9 742
xKorchinski, Stan, PC	10 484	Meyers, Dan, PC	12 292	Nylander, Terry A., PC	9 242
Bracken, Lars Elroy, NDP	10 001	Richardson, Doug, L	11 436	McIsaac, Cliff, L	7 976
Geddes, Keith, L	4 410	Arscott, Hugh, Ind	735	Wright, Dane, Ind	176
Mattson, Lloyd, Com	155	Neufeld, Eric, ML	61		
		Saskatoon West		Yorkton-Melville	
Moose Jaw		xHnatyshyn, Ray, PC	17 642	xNystrom, Lorne, NDP	15 244
xNeil, Doug, PC	14 333	Parker, Reg, NDP	14 846	Hudye, Ben, PC	12 427
Henley, David H., NDP	10 641	Williams, C.M. Red, L	8 116	Hollinger, Gordon, L	5 634
Brown, Vern, L	5 713	Dennis, Susan, ML	96		
Senger, Edward J., Ind	123				
Ouenett, Bob, Ltn	65				

THE ROLE OF POLITICAL PARTIES IN A DEMOCRACY

DEFINITION AND ORIGIN

Although it is difficult for us to imagine democratic politics without organized political parties, they are essentially a modern phenomenon. Parties existed in Great Britain as early as the eighteenth century, but

Responsible government basically meant that the governor would have to sign the bills passed by the executive council, which was now controlled by the elected representatives of the people. Political parties emerged to ensure that the executive council would do what members of the party wanted it to do. Largely due to the electoral system, however, party ties remained loose for another half-century. This was because the secret ballot was not adopted until 1874 and simultaneous balloting was not completely established until 1908. With open balloting and non-simulta-

neous elections, candidates did not need to commit themselves to a party until it became evident who would win. Before the western provinces went to the polls, for example, they usually knew which party would win the election. To assure themselves of some influence in the government, they often voted for this party.

Until the beginning of the twentieth century, the candidate often knew all the voters personally, and because the population was so small he could canvass them himself without outside help. As a result, he had less need for the support of a party. All this was changed with the extension of the franchise to women and the poor in the early twentieth century.

At Confederation, each M.P. represented approximately 750 voters; one hundred years later, the average M.P. represented 45 000 citizens. Today, candidates can no longer canvass more than a small proportion of the people who may vote for them, yet the votes of these citizens are necessary for victory. The obvious solution is to rely upon a party to supply scores of tireless workers, campaign literature, and media coverage.

Another reason for the growing reliance on political parties was the rise in campaign costs. In the 1974 general election, for example, the average Liberal and Conservative candidate spent \$20 000 in campaign costs. Significantly, the only successful independent candidate spent over \$24 000 on his campaign. Despite recent changes designed to reduce the amount of money each candidate may spend on election campaigns, the costs of becoming an M.P. are still well beyond the limits of most Canadians. It is the modern political party with its national organization and tireless fundraisers that provides the money needed to get elected. With this kind of potential power, how is the political party held accountable?

One-Party vs. Two-Party vs. Multi-Party Systems

What is the ideal number of political parties needed to ensure the largest degree of accountability to the people? The three basic types of party systems are: one-party (as in Mexico); two-party (as in the United States); and multi-party (as in France). A possible fourth type of party system is a combination of two strong parties with one or more weaker, yet still significant, third party (as in Canada).¹

On the surface, it appears that a one-party system is incompatible with democracy because it doesn't present the electorate with a real choice between candidates or policies. However, such a system can be called democratic if no one is excluded from membership, everyone is permitted to express an opinion within the party, and if members are free to organize themselves within the party to push for particular policies.

The supporters of the two-party system claim that it is superior to other systems because it presents voters with a definite, clear-cut alternative which allows them to evaluate how well the party of their choice did in carrying out its promises. The counter-argument, however, is that the two-party system reduces the alternatives presented to the voters because it forces the parties to become alike on important matters of policy. Let us use the issue of capital punishment (the death sentence) as an example. Assume that public opinion is evenly divided between those who support capital punishment and those who oppose it. If one party moderately favours capital punishment (point A in the first diagram) in order to win majority support, the other party merely has to position itself at point B

¹This discussion is abridged and adapted from Jack Lively, *Democracy*, Oxford: Basil Blackwell, 1975, pp. 44-49.

in order to attract enough support to win power. Assuming that the first party is willing to modify its beliefs in order to gain power, it would now have to move to point C in order to win. Ultimately, the drive to find the middle ground will reduce the differences between the two parties. It also makes it difficult for the electorate to influence governmental policies, since both parties have similar platforms.

Opinions on Capital Punishment

Oppose	C	B	A	Support
	•	•	•	

Supporters of the two-party system, however, state that this argument is based upon the erroneous assumptions that both parties will do anything to win and that they have no firm, unshakable beliefs of their own. Furthermore, they maintain, any party which constantly changes its opinions would soon lose the confidence of the electorate.

The same pressures towards conformity do not operate in a multi-party system. As the following diagram illustrates, a move to the right or the left by any party might result in a loss of part of its original support to the party it moves away from. For example, if party C moves to point X, it might steal some of party B's support, but it also runs the risk of losing followers to party D.

Opinions on Capital Punishment

Oppose	A	B	C	D	E	Support
	•	• x	•	•	•	

In a multi-party system, therefore, the parties maintain their distinctiveness, allowing them to present the electorate with a clear choice of policy alternatives.

The disadvantages of multi-parties is that, unlike the two-party system, one party seldom wins a majority and the government usually consists of a coalition of two or more parties. This makes it less easy for

the voters to know which party is responsible for the government's actions. Even if a party is part of the ruling coalition, it can deny responsibility for individual governmental policies. Coalition government may force the parties either to compromise their principles or to withdraw their support, thus causing a series of unstable governments.

A hybrid of the two-party and multi-party system is the existence of significant third parties within the two-party system. Third parties arise because one segment of the electorate believes that neither of the two parties is concerned with its special needs. Certainly, it seems virtually impossible for two political parties continuously to satisfy the varied demands and interests of modern nations, which are often separated by geographic boundaries, language, religion, ethnicity, and conflicting economic interests.

Although third parties strive to win, it has been argued that their significance in the past has been primarily to keep the other two parties on their toes. They help to bring fresh ideas into politics, and if these ideas prove popular, they are usually adopted by the older parties. New parties also allow neglected and frustrated people to vent their grievances and bring their demands to the attention of the nation. Finally, by stirring up popular interest, third parties tend to bring democracy closer to more of the people.

THE CAUCUS

Once elected, representatives are expected to look after the interests of their constituencies; this includes voting on proposed legislation and discussing policies in the party caucus. In parliamentary democracies such as the United Kingdom and Canada, the House of Commons is considered the major democratic agency in the government because it has final say on all

laws and it can force the executive to resign. It is in this body that the country's different ethnic groups, occupations, and classes are represented. "No Cabinet which keeps in constant touch with this body," argues R.M. Dawson in *The Government of Canada*, "can be very far removed from fluctuations in public opinion, for the House is always acting as an interpreter . . . conversely, a Cabinet which grows out of touch with the Commons is courting disaster."

Within the governing political party, the caucus provides another forum for individual Members of Parliament to exert their influence. At these meetings, the party discusses general policies and strategy, and the cabinet submits its proposed legislation for general approval. The meetings are private and the members are expected to express their views without restraint. It is at this time that they are able to modify government policies to reflect the interests of their constituencies. As Canadian Prime Minister Mackenzie King told the House of Commons in 1923:

[The caucus] is the means whereby a Government can ascertain through its following what the views and opinions of the public as represented by their various constituencies may be. It is not a means of over-riding Parliament. It is a means of discovering the will of the people through their representatives. . . . After all, what a Government has to keep before it, if it is to be worthy of the name of a Government, is, first of all, the support it will receive in the country for the measures it introduces; secondly, the support it will receive in Parliament. . . . [The caucus] is simply coming into closer consultation with the people's representatives in a manner that permits of the greatest freedom of expression on their part.

Lester Pearson (prime minister from 1963 to 1968) also believed that the caucus performed an important role in the governing process:

MR. PEARSON: I used to take caucus meetings very seriously and I was always available to members of the caucus for discussion. I never missed a caucus meeting if it was possible to be there. Not all of my predecessors or all my colleagues felt that way.

MR. HOCKIN: Did you ever chair caucus as Prime Minister?

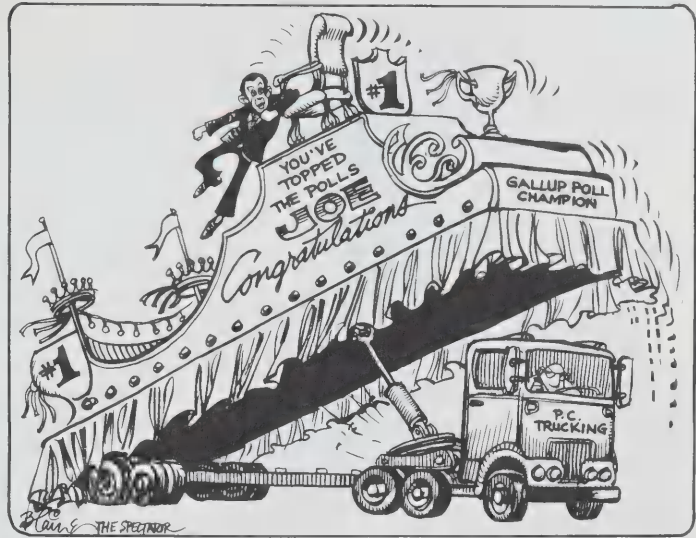
MR. PEARSON: No, a private member is chairman of the caucus, but I was always there and I used to subject myself — as my colleagues did — to every kind of examination. I used to encourage the frankest kind of questioning, however critical.²

In return for this opportunity to express their feelings, the elected party members agree to accept the decisions of the caucus as final and to support these government measures when they come before the House of Commons for approval.

THE STRENGTHS OF POLITICAL PARTIES

Political parties, say their defenders, fulfill a variety of functions in a democracy. Firstly, they provide a degree of popular control over the government. Political parties provide a channel of communication between the people and government. In order to compete for the electorate's support, each party must attempt to discover

²Thomas A. Hockin (ed.), *Apex of Power*, Toronto: Prentice-Hall, 1977, pp. 257–258.



In addition to promoting national unity, political leaders must maintain the support of their own parties. This cartoon indicates that although Joe Clark, leader of the Progressive Conservative party, was leading in the public opinion polls in 1981, some members of his party were trying to replace him. Since 1896, the Liberal party has governed Canada for sixty-five years and the Conservative party for twenty-one years. Find out how many leaders each party has had during this period, and draw your own conclusions.

Blaine / Miller Services

what the people want, and then try to satisfy these wishes when elected. By offering candidates for re-election, the party provides the people with a way of expressing their opinions and of holding the governing party accountable for its actions.

Secondly, they recruit and train political leaders. Parties interest people in politics, persuade them to accept minor political offices, choose candidates to run for elections, and provide them with financial and organizational support.

Political parties organize and educate the public and provide alternate choices for the electorate. In their attempts to win elections, political parties propose a series of social, economic, and political policies (the party platform) designed to gain support. The election campaign then attempts to mobilize citizens to vote for these platforms. Between elections, parties keep the electorate informed about government ac-

tions — either to gain support for them, or to convince the people not to vote for the government at the next election. Parties not in power thus provide a useful check on government actions.

Political parties limit conflict and help to unify the nation. In order to achieve power in a country such as Canada, a political party must obtain substantial support from a population which is divided by ethnicity, religion, income levels, values, and regional differences. Faced with divisions, a party must be flexible; it must avoid issues that divide the nation and soften those that do exist. It is no mere coincidence that the three Canadian party leaders with the longest terms in office — John A. Macdonald, Wilfrid Laurier, and W.L. Mackenzie King — were always willing and able to make concessions, to postpone contentious decisions, and to bring people of divergent beliefs together.

Finally, parties provide a method for changing leaders peacefully, and a forum for dissent. Dissatisfied citizens can attempt to change the direction of government by organizing their own political parties.

THE WEAKNESSES OF POLITICAL PARTIES

The most sweeping criticism of political parties in a democracy is that they reduce elected representatives to mere cogs in a party machine. The first loyalty of the representatives, critics charge, is to the party rather than to the people who elected them. In other words, political parties make

government less accountable to the people.

This has arisen, critics state, because of the rapid growth in the electorate. Because the average M.P. now represents over 45 000 citizens and requires up to \$24 000 to get elected, he or she must rely on a party organization to provide the canvassing and the money necessary to run a successful campaign. This has tended to increase party control over candidates who run for political office. A survey of freshmen M.P.s revealed that the vast majority of them believed they would not have been elected had they run as independents. A recent electoral change which allows a party to place its name on the ballot opposite a nominee's name has further diminished the chances of independent candidates.



This cartoon, published in 1965, highlights one of the major concerns in modern democratic elections — voter apathy. It has been argued that the increasing control exerted by political parties over their candidates has led to a certain amount of voter disillusionment — a feeling that "they're all the same, so why bother?" To what extent do you think this argument is valid?

As a result of these changes, individual M.P.s have become more and more dependent upon the party and its leader. After an election, say the critics, party loyalty becomes a prime political virtue for successful candidates. All members are expected to support their leader, whether or not they agree with the party's policies. During 1963, to take just one example, over 80 percent of the members of the House of Commons never voted against their party's policies in over 16 000 separate issues.

Party members have a natural tendency and willingness to accept the control of their leader whom they selected at a party convention. Sometimes, it is said, the only thing holding a party together is its allegiance to the leader. The media has also increasingly concentrated its attention on party leaders, and in many cases, individual members owe their victory directly to the popularity of their leaders. This serves to reduce members' independence. In addition, a prime minister has at least one hundred important positions to distribute among the party faithful, and an M.P. who votes contrary to party instructions will have little hope of political advancement. As a last resort, the prime minister can call a new election and withdraw the party's support from a recalcitrant member.

Some critics say that the belief that the people's representatives have ultimate control over government legislation is a myth. Laws, they argue, are decided upon by the cabinet and then rubber-stamped by a docile government majority in the House of Commons. The only substantial criticism comes from opposition parties, and they generally have too few members to prevent a bill from passing. The House of Commons merely refines the legislation; it polishes, but does not control policy.

Critics also charge that the caucus, which is traditionally depicted as an agency in which individual members can initiate and influence government legislation, has become merely a place for the cabinet to



Margaret Thatcher, prime minister of Great Britain in the early 1980s. Why has there never been a female prime minister of Canada?

Miller Services

inform backbenchers of what it is planning to do. The influence M.P.s might have on policy decisions varies according to their prestige and knowledge. But because almost one-half of the members habitually lose their bid for re-election, and since first-year representatives have neither the time nor the expertise to intelligently criticize legislation drawn up by cabinet ministers (who have whole departments of experts to advise them), the people's representatives usually have little control over public policies.

QUESTIONS:

1. How well does the Canadian party system work in practice?
 - a) Draw up separate lists of its advantages and disadvantages.
 - b) Upon what criteria or values is each list based?
 - c) What is your opinion? Explain your answer.
2. Explain the following statement: "The two-party system is likely to work best when there are more than two parties."
3. In 1974, the Election Expenses Act:
 - limited each candidate to spending no more than one dollar for each of the first 15 000 voters in the constituency, fifty cents for each of the next 10 000 voters, and twenty-five cents for the remaining voters.
 - limited the national party organizations to thirty cents for each voter.
 - designated part of each candidate's travelling and postage expenses to be paid for through taxes.
 - stipulated that the names of all donors who contribute more than one hundred dollars be made public.

Critics of this act argue that it isn't fair to taxpayers and donors, nor is it equally fair to all of the parties.

- a) What are the grounds to support each criticism?
 - b) What is your opinion of this bill?
4. Discuss the following quotation:

"The evils in the party system are not peculiar to it but are the outcome of general human frailties. Indeed, it is hard to see how the parties that must woo the electorate with success can do other than reflect its virtues and its vices. Perhaps it is people as much as institutions that need to be reformed."
5. What is the ideal number of political parties needed to ensure accountability? Give reasons for your choice.
6. Explain how the inclusion of a party's name beside its candidate's name on the ballot might reduce an independent candidate's possibility of winning.
7. Using the first diagram "Opinions on Capital Punishment" on page 45 as a guide, provide a hypothetical distribution of opinion which would prevent the parties in a two-party system from offering almost identical policies.
8. Write a short fictional story which describes what might happen to Canada's system of representative democracy if political parties were banned.

RESEARCH QUESTIONS:

9. Choosing either the Liberal or the Conservative party, prepare a short report on its origins. Include an explanation of how, if at all, its general ideology differs from that of the other major party. Use the inquiry techniques outlined in Unit One to assist you in preparing this report. Read: William Christian, *Political Parties and Ideologies in Canada: Liberals, Conservatives, Socialists, Nationalists*, Toronto: McGraw-Hill Ryerson, 1974; J.R. Williams, *The Conservative Party of Canada, 1920-1949*, Durham: Duke University Press, 1956; George Hogan, *The Conservative in Canada*, Toronto: McClelland and Stewart, 1963; Heath Macquarrie, *The Conservative Party*, Toronto: McClelland and Stewart, 1962; J.W. Pickersgill, *The Liberal Party*, Toronto: McClelland

- and Stewart, 1972; H. Thorburn, *Party Politics in Canada*, Scarborough: Prentice-Hall, 1972; F.H.U. Underhill, *Canadian Political Parties*, Ottawa: Canadian Historical Assoc. Booklet 8, 1960.
10. Select one of the following third parties and write an essay explaining why it arose, and why it was so successful:
 - a) Social Credit in Alberta in 1935. Read: J.A. Irving, *The Social Credit Movement in Alberta*, University of Toronto Press, 1968.
 - b) The C.C.F. in Saskatchewan in 1944. Read: S.M. Lipset, *Agrarian Socialism*, New York: Anchor Books, Doubleday & Company, 1968.
 - c) The New Democratic Party. Read: D. Morton, *N.D.P.: The Dream of Power*, Toronto: Hakkert, 1974.
 - d) The Progressive Party in 1921. Read: W.L. Morton, *The Progressive Party in Canada*, University of Toronto Press, 1967.
 11. Invite a federal or provincial member of the government to speak to the class about party organization, campaigning, and the role of the individual representative in the government.
 12. Prepare for a class debate on one of the following statements:
 - a) "It doesn't matter which of the two major parties I vote for, they're both the same."
 - b) "There's no point in voting for one of the third parties because they don't have a chance of winning."
 - c) "A multi-party system is preferable to the two-party system."
 - d) "The Canadian party system is as democratic as possible, given the frailties of human beings."
-

VOTING BEHAVIOUR: RATIONAL OR IRRATIONAL?

Prior to an election, competing political parties decide upon their policies and nominate candidates to run in the contest. In casting ballots, the electorate decides not only which people (or party) it wants to direct the government, but also what policies it wants the new government to implement. The victorious party is thus assumed to have a mandate to carry out its platform. Elected representatives know that if their actions while in power do not please the majority, they will not be re-elected; thus they are loath to pass unpopular measures and will attempt to implement their election promises. This power to reward and punish the decision-makers is the guarantee that ultimate political power rests in the hands

This is the theory. How well does it work in practice? If the government is to carry out the wishes of the people it must first discover these wishes. That is one of the purposes of holding periodic elections. For this to work effectively, the people must be well informed about each party's platform and what it has done since the preceding election.

One of the assumptions underlying the importance of elections is that the average voter is "rational." This implies that voters: understand the major campaign issues; are aware of the relationship of the issues to themselves; know each candidate's stand on these issues; and finally, vote for that candidate or party which comes closest to their own beliefs.

In the last several decades, political scientists in Canada, France, Great Britain, and the United States have employed election statistics, questionnaires, and sample surveys to determine why people vote as

they do. In many cases their results have been startling. Rather than presenting their conclusions (which are still being debated), we will let you analyse the data and reach your own conclusions. The major issue in this Case Study is whether or not average Canadians are rational in their voting behaviour. A supplementary question for you to keep in mind is the extent to which a rational and informed electorate is necessary.

POLITICAL CHOICE: A STATISTICAL APPROACH

If you could vote in the next election, which party would you support? Why? You can probably think of several reasons — you admire the ideas or personality of the candidate in your riding, you prefer the candidate's party or the party leader, you agree with what the party did in the House of Commons, or you think that you will personally benefit if the party wins the election. These are all valid reasons. They also imply that you make rational decisions based upon the available evidence.

Can you remember when you first began to favour a political party? One study has shown that approximately one in three Canadians had formed a political attachment by the time they had reached grade

four, and nearly 60 percent had identified themselves with a political party by the time they entered grade eight. These students knew very little about politics and were generally unable to name the leaders of each political party, yet they had formed an attachment to a particular party.

Why do people support a particular party? The answer is not as simple as you may think; it involves a combination of many inputs, from what the voter hears on television to his or her religion and occupation. Figure 1-5 illustrates some of these forces.

In recent years, some political scientists have argued that electoral behaviour is more closely related to the voter's social and economic position in society than to the election issues. Ethnicity, religion, occupation, place of residence, education, and social class, they argue, largely determine how people vote. Does this imply that voters do not base their electoral actions upon the available evidence and are, in fact, irrational when it comes to casting their ballots?

To help answer this question, let us examine the federal elections of 1968 and 1974. Prior to each election, a cross-section of the electorate was interviewed, and each person's religion, ethnic origin, occupation, social class, and voting intention were recorded. Figures 1-6 to 1-9 compare these

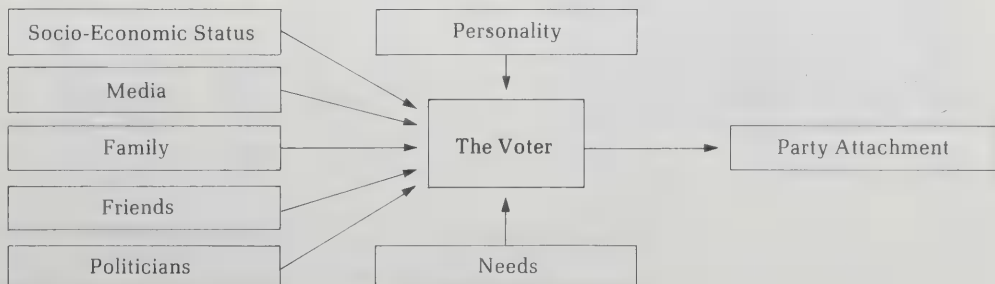


Fig. 1-5

characteristics. Figures 1-6 and 1-7 examine ethnicity and religion as they relate to voting intentions.

In Great Britain, one of the most important determinants of the vote is social class — most blue-collar workers support the Labour party, and the majority of white-collar workers vote for the Conservative party. There are several ways of determining a person's social class. Individuals may be categorized according to their occupation, education, and income —

this is the usual method of determining social class because it is easy to use. Another method of classifying social class is to ask individuals to what class they think they belong. A poorly-educated railway worker, for instance, might consider himself to be in the upper-middle class because he has a son who is a lawyer and a daughter who is studying to be a doctor. Figures 1-8 and 1-9 examine the relationship of occupation and social class to electoral behaviour in Canada.

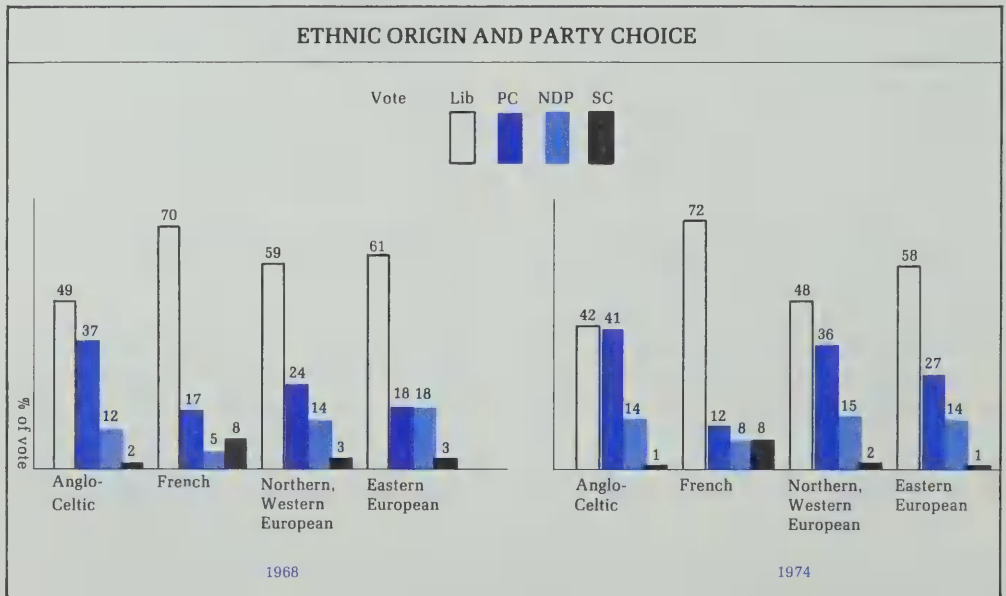


Fig. 1-6: This graph and those shown in Figs. 1-7, 1-8, and 1-9 are adapted from Harold D. Clark et al., *Political Choice in Canada*. Reprinted by permission of McGraw-Hill Ryerson Limited.

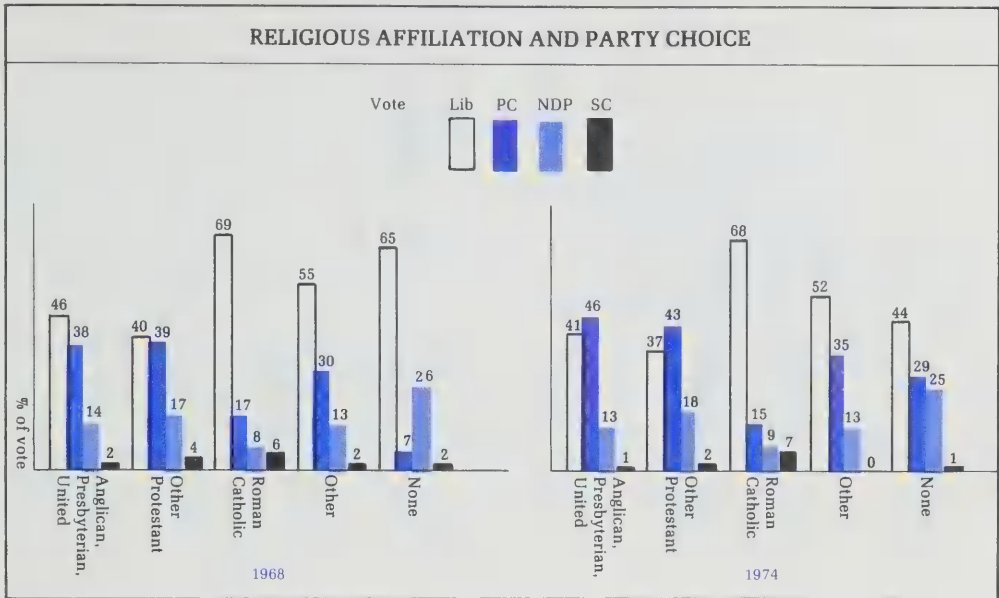


Fig. 1-7

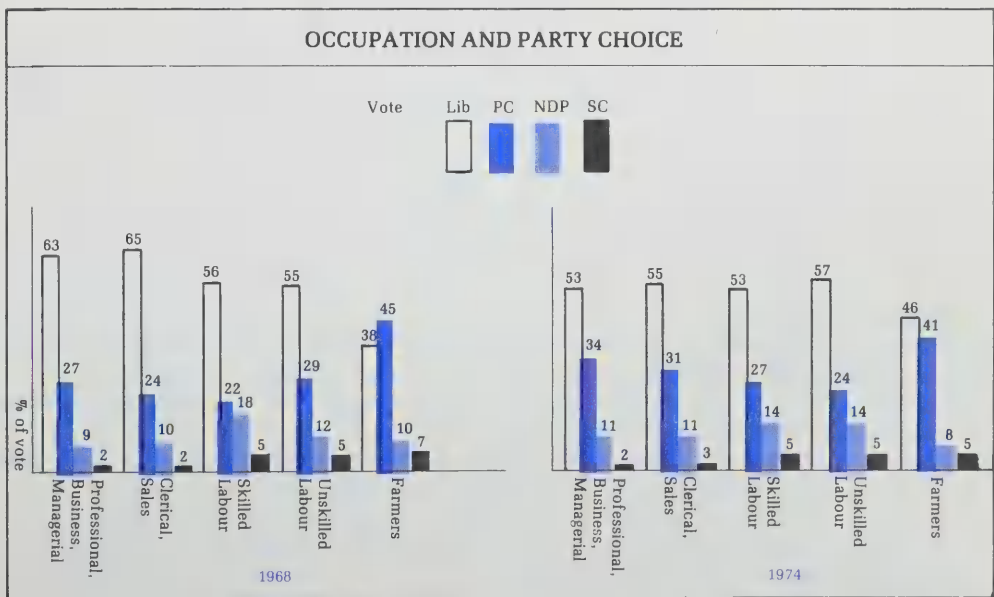


Fig. 1-8

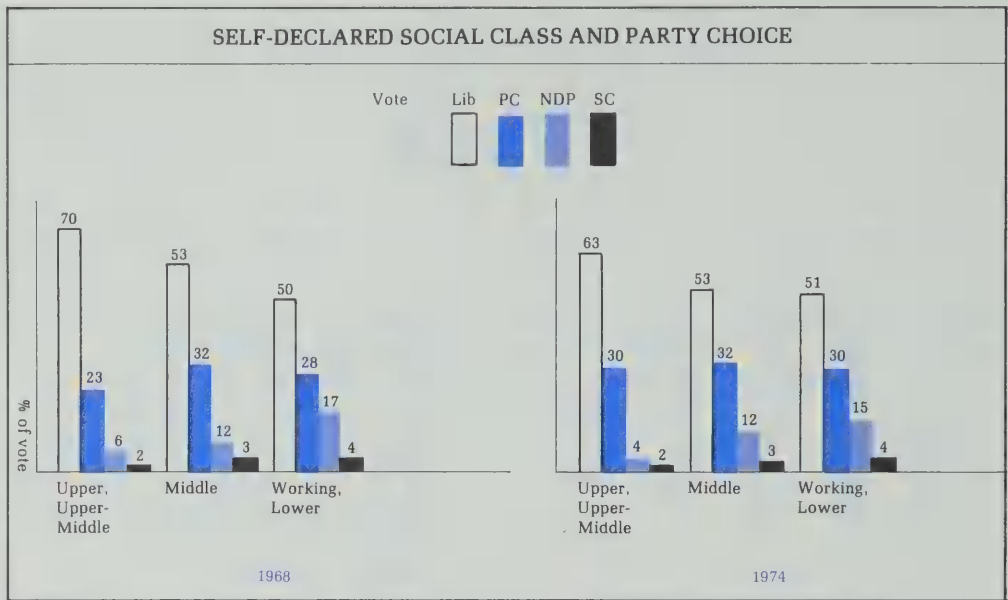


Fig. 1-9

QUESTIONS:

- In 1972, the decennial census revealed: 45 percent of the population was of Anglo-Celtic origin and 29 percent claimed French ancestry; 46 percent of the population was Roman Catholic and 40 percent Protestant; 48 percent had fewer than nine years of formal education and only 8 percent had attended university or college; 7 percent were farmers, 24 percent held professional or managerial positions, and 33 percent engaged in clerical occupations. Assuming people voted as they said they would, use this data and Figures 1-6 to 1-9 to estimate the percentage of the popular vote likely to be received by each political party in either 1968 or 1974. For example, in 1968, 69 percent of Canada's Roman Catholic voters indicated they would vote Liberal. Since Catholics constituted 46 percent of the population, the Liberals received an estimated 69 percent of 46 percent — that is, 32 percent. When the same computations are carried out for each religion, the total projected Liberal vote will be known.
- Using Figures 1-6 to 1-9, rank the Liberals' source of strength in 1968 in order from most to least important.
 - What criteria did you use to determine which was the Liberals' most important source of strength? Did you use the data provided in question 1?
 - Is it fair to term the Liberals a middle-of-the-road party — that is, a party that draws a large measure of support from almost every sector of society? Explain.
- Among what sectors of the population did:
 - The Conservatives gain support between 1968 and 1974?
 - The N.D.P. lose support between 1968 and 1974?
- Which of the socio-economic characteristics (religion, ethnic origin, or social class) that we have examined varies the most from party to party and from election to election? How might this be explained?

Regionalism and Party Choice

In addition to being divided along ethnic and religious lines, Canada is also fragmented into separate geographical and political regions. The Atlantic provinces, which are divided from central Canada by the narrow Gaspé, rely heavily upon natural resources (rather than manufacturing), and generally have a lower standard of living than central Canada. Quebec is separated from Ontario by religion, language, and ethnic origin. Ontario is set off from the prairie provinces by its rocky terrain north of Lake Superior, its lack of petroleum, and its greater industrial develop-

ment. British Columbia is isolated by the Rocky Mountains.

How important is this regionalism to Canadian electoral behaviour? Do French-Canadians in Quebec vote similarly to French-Canadians in the rest of Canada? Do British Columbians usually vote differently than Ontarians? Is the province in which people live a greater determinant of their voting behaviour than are their socio-economic characteristics? To help ascertain the answers to these questions, examine the results of an opinion poll conducted prior to the 1968 federal election, shown in Table 1-4. (The Social Credit party, which received support from only 4 percent of the sample, has been excluded.)

QUESTIONS:

- For each region, rank in order the Conservatives' six most important areas of political support (assuming, of course, that people voted as they said they would).

RESEARCH QUESTION:

- Divide into small groups and write a report which explains why the Liberal party was victorious in the 1968 election. This project should be done in *two* stages. The *first stage* is to discuss what groups intended to vote Liberal. How important were religion, regional location, occupation, origin, and class? Are any of these variables interrelated (such as high education and professional status), and if so, which factor is the most important? The *second stage* is to determine why these groups intended to vote for the Liberals (or against the Conservatives). This involves an analysis of the election issues, the party leaders, and the economic situation. The final report should integrate these two stages into a coherent analysis of why the majority of the population intended to vote for the Liberals in 1968. Useful sources of information for the second stage include: J. Meisel, *Working Papers on Canadian Politics*, Montreal: McGill-Queen's University Press, 1975; O. Kruhlak (et al.), *The Canadian Political Process*, Toronto: Holt, Rinehart & Winston, 1979; J.M. Beck, *Pendulum of Power*, Scarborough: Prentice-Hall of Canada, 1968; back issues of local newspapers.

THE MEDIA AND THE ELECTORATE

The ability of the electorate to make a meaningful choice between party platforms hinges on its knowledge of contemporary

politics. The voter receives information from such institutions as the family, the school, and interest groups, as well as through party activities and participation in the community. The media, however, plays an indispensable role in disseminating news



TABLE 1-4: VOTER PREFERENCE IN THE 1968 FEDERAL ELECTION (in percent)													
Region	Total	Religion		Self-Declared Class			Origin		Occupation				
		Roman Catholic	Non-Catholic	Upper	Middle	Lower	British	French	Pro-fessional	Clerical	Skilled Labour	Unskilled Labour	
													Farmer
Atlantic Provinces													
Liberal	45	67	35	38	48	46	40	73	44	50	47	50	40
Conservative	54	32	63	63	49	52	59	23	56	50	51	50	60
N.D.P.	2	1	2	—	3	2	1	3	—	—	3	—	—
Quebec													
Liberal	68	66	86	68	72	62	83	65	76	78	68	56	49
Conservative	18	19	12	17	16	22	14	20	14	10	17	26	27
N.D.P.	5	5	2	12	4	4	2	5	7	6	4	6	—
Ontario													
Liberal	57	80	47	70	60	52	49	83	58	63	54	58	55
Conservative	28	7	36	27	29	24	34	7	33	26	22	23	38
N.D.P.	16	13	17	3	11	24	17	10	10	11	24	19	6
Prairie Provinces													
Liberal	44	57	41	82	44	41	43	76	59	52	50	44	21
Conservative	38	25	41	14	44	33	45	12	32	35	32	25	54
N.D.P.	15	13	16	5	10	23	11	34	9	12	16	25	19
British Columbia													
Liberal	58	76	55	75	62	45	51	38	69	68	50	48	71
Conservative	13	—	15	19	14	11	17	—	15	20	3	20	14
N.D.P.	18	16	18	—	14	30	20	50	8	8	29	24	—

Source: Data from John Meisel, *Working Papers on Canadian Politics*, Second Enl. Ed., Montreal: McGill-Queen's University Press, 1975, Table 2.

about political events.

What role does the media play in the choices that voters make? Does the media act as an impartial observer of political events, or does it attempt to influence people's political views? In other words, are voters presented with enough impartial information to make an informed decision, or are their choices ill-informed because they are based on an inadequate amount of information? Let us examine some evidence bearing on these questions.

Critics charge that the growing role of the mass media in election campaigns has accentuated public relations and personality over party platforms and campaign issues. During the last fifty years, politicians have had to develop new techniques to keep pace with the invention of the radio in the 1920s, and television in the 1940s. In Canada, William Aberhart demonstrated the effectiveness of radio campaigning when he became premier of Alberta in 1935 — after entering politics only two years earlier. Twenty-two years later, John Diefenbaker effectively used television to capture the prime ministership of Canada. The benefits and pitfalls of television campaigning are vividly portrayed in the following synopsis of the first televised leadership debate in North America:

In 1960, two candidates for the U.S. Presidency, John Kennedy and Richard Nixon, made history when they appeared face-to-face in live television debates. The election vote was extremely close (Kennedy eventually winning by 0.2 percent) and most observers agree that the televised debates made the difference. However, there are indications that Kennedy came out on top not so much because of what he said but because of how he 'performed'.

Just before the first debate,

Nixon learned that Kennedy was not going to use makeup. Nixon decided he would also go in front of the cameras without makeup. Kennedy, sporting a deep suntan, did not need makeup, but Nixon, who was extremely tired after campaigning and had a fever, did. A good makeup job could have masked Nixon's pale, drawn appearance. Nixon also suffered from a tendency to perspire, and the beads of sweat on his face made him look nervous and ill-at-ease.

All of this affected the viewers' image of the two men. Kennedy, an accomplished television performer, appeared cool, self-assured and confident. Nixon appeared nervous and under pressure.

When analyzing the reaction of the estimated 101 million viewers, researchers found that Kennedy came out of the debates a clear winner. However, some people who only listened to the debates on radio, and therefore did not see Nixon's haggard appearance, thought Nixon was the winner.

Following the TV debates, many undecided voters made their choice of candidate. The Gallup Poll showed that Kennedy picked up three percentage points, while Nixon only got one point. The net effect was that Kennedy picked up just enough votes to win the election.

The merit of the live television debate is that voters are able to see how candidates react under intense pressure, and in situations they can not control or anticipate. The danger is that an accomplished television performer can easily defeat a more able, honest and potentially

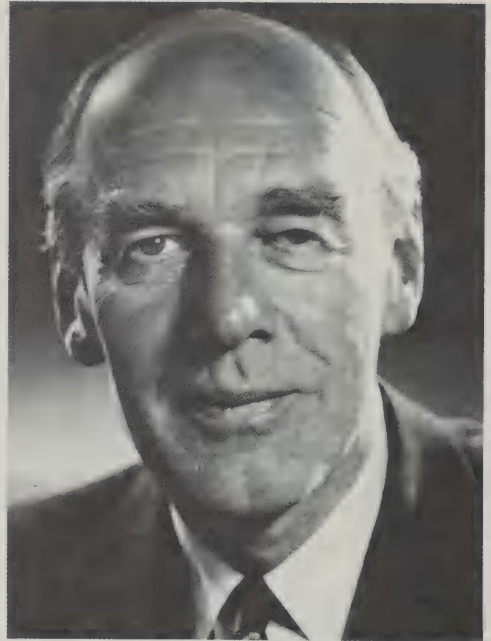
better, leader who is uncomfortable in front of the cameras.¹

To ensure that they “perform” well, each party has a team of public relations people who are skilled in the arts of communication. Jingles, cartoons, and sophisticated advertising techniques have taken the centre stage. Politicians recognize that television provides many people with much of their campaign information, so they plan campaigns with careful attention to the media. Newspapers are no different — a study of the newspaper coverage of the 1974 election, for instance, revealed that 42 percent of newspaper reports dealt exclusively with party leaders, and only 12 percent discussed the issues.

Re-making Stanfield

In 1972, *Maclean's* asked a noted hair stylist, whose advice had previously been sought by several prominent politicians, to analyse the television appearance of Robert Stanfield, the Conservative party leader, and to suggest improvements. Here is his initial assessment:

Robert Stanfield is the example of a man who has strong characteristics that he has not yet taken advantage of. In fact his dogmatic, conservative, almost upper-class British image doesn't do his political position justice. The high forehead caused by balding is distracting on camera (a light reflection always seems to bounce off one side causing the viewer to lose concentration on what he's saying). The bushy eyebrows are too severe and don't lend themselves to natural expression. The clothes accentuate his severity. The problem



The real Stanfield.

Christopher Beacom

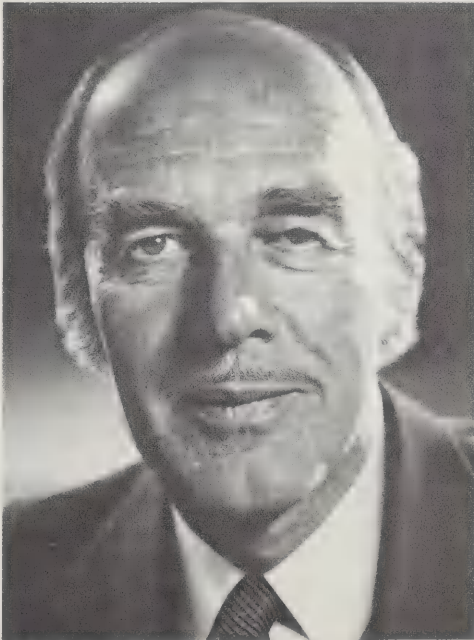
is to soften his hard image and make his personality more appealing.

The hair stylist explained the first makeover in this way:

Mr. Stanfield's most positive feature is his eyes. They are reassuring, contemplative and, in the right mood, even kind. But the bushy eyebrows distract [sic] these characteristics and so do the crow's feet at the corners of the eyes. It will take cosmetics to deal with the crow's feet and for the moment I'll concern myself only with the eyebrows by clipping them slightly. My main concern here is to defeat the school-principal severity his brow projects. I felt that by giving the leader longer and fuller sideburns and a fuller style with more body on the sides

¹*Canada & the World*, November 1976, pp. 20–21.

and back of his head I could create a softer appearance. The color of the hair would therefore contain more highlights and texture. Next the nose; nicely shaped but too prominent and disconcerting. I decided to add a Ronald Colman type moustache to deal with this sharp feature and also camouflage the slight droop at the corner of his mouth. On occasion I have seen this droop come across as a sneer. Add to this redesign a colored shirt, striped tie and vest and there is an over-all effect of quiet distinction.



A different Stanfield.

Christopher Beacom

The designer was not satisfied with the new image so he tried again:

The eyebrows are still too heavy. I clipped and reshaped them. I took base makeup and erased those an-



Another Stanfield. *

Christopher Beacom

noying crow's feet. It works. His eyes no longer conceal themselves. He is immediately more communicable and the TV viewer can relate to the feelings his eyes now freely express. The bald head isn't distinguished after all, and so in these days when hair extensions are as common as false teeth I gave him a full head of hair. This was no easy task. It took some experimenting before I came to a natural style. The hairpiece relieved the leader of his gaunt look. But it also made the moustache seem gratuitous. I dropped it, and by applying cosmetics I lifted the top lip and lightened the cleft chin. Next I noticed that his Adam's apple looked too prominent and his clothes didn't suit the new image. I selected a coloured shirt with a higher collar to cover the Adam's

apple. Got rid of the old school tie and replaced it with a wider, more contemporary knit. I made sure that the knot suited the elegance of the tie. . . .²

²*Maclean's*, May 1972, pp. 21-25.

These comments illustrate the extent to which it is possible to shape an image of what is assumed to be voter preference. Re-read the hair stylist's account, and imagine the arguments that might have been used by Stanfield's advisers in support of these comments. Why do you think the changes were not adopted?

QUESTIONS:

7. To what extent does the media trivialize campaign issues? (Incorporate your own personal experiences in the answer.)
8. a) Discuss Mr. Stanfield's personality as depicted in each of the photographs.
b) How would you expect each "new" Mr. Stanfield to behave in front of a crowd?
c) Would you advise Mr. Stanfield to change his image? Explain your reasons.
9. Are you in favour of televised leadership debates? Explain your answer.
10. Based on the evidence provided in this Case Study, and on other evidence of which you are aware, give a carefully-reasoned answer to the following question: what role does the media play in the choices that voters make?

RESEARCH QUESTIONS:

11. Examine a local newspaper and the television news for examples of what some commentators term "the cult of personality."
 12. Canada has had several "leadership debates" in the past. Ask your parents for their impressions of one of these debates, and be prepared to discuss the importance of issues as compared to personality.
-

FINAL WORD: A CASE FOR THE DEFENCE

Even if the election campaign does little to change most people's minds, it does interest citizens in its outcome, and encourage them to vote. In search of maximum electoral support, each party is alert to new issues that will catch the imagination of the people. While it might be true that many voters know very little about campaign issues, it does not mean that people do not know what they like. Politicians are notorious for failing to implement election promises. As a result, the electorate

judges parties on their past performances rather than on their present promises. Has the government done a good job under the circumstances, or has it performed badly? This is how voters make their decision.

Certainly politicians, journalists, and historians have few doubts about voter rationality. Politicians spend a great deal of their time trying to convince citizens of their party's merits, and journalists attempt to explain election results and public opinion polls according to parties' policies.

It is sometimes suggested that voters' political apathy (approximately 25 percent of the people don't vote in national elec-

tions) is a sign that they are alienated by the system and feel politically powerless. A recent study of over 1 200 Canadians revealed that only 52 percent believed that the government cared about what they thought; 56 percent thought that they had no say in what the government does; 67 percent believed that Members of Parliament soon lose touch with the people who elect them; and 67 percent stated that government and politics are too complicated for them to understand.

This does not mean, however, that ra-

tional political choices are impossible. The only way to develop the skills and attitudes needed for good citizenship is through meaningful political participation. Experiments in the business world have shown that factories which permit workers to participate in production decisions have a more responsible work force. Meaningful participation will help create citizens who have self-esteem, tolerance, and self-reliance. By encouraging greater participation in the electoral process, we could encourage more meaningful voter choice.

QUESTIONS:

13. Define "meaningful participation" and explain how this might be achieved.
14. a) Do average Canadian voters base their decisions on a reasoned analysis of the political and economic issues as presented in the election campaign? Explain.
b) Is this important? Why?

RESEARCH QUESTIONS:

15. Invite a representative from an advertising agency (or a political party) to talk to the class about planning a political campaign.
 16. Divide into small groups, prepare a questionnaire, and conduct a survey of the student body of your school on one of the following topics:
 - a) Knowledge of politics
 - b) Long-term party loyalty
 - c) Party loyalty as a function of parents' political affiliation
 - d) Importance of religion, ethnicity, class, or sex, on party preferences
-

INDIVIDUAL FREEDOM VERSUS GROUP WELFARE

The ensuing public outrage forced the government of Ontario to create a special Royal Commission to assess the propriety of the

Under the Narcotic Control Act, if the police have reasonable grounds to believe that places other than dwelling houses contain illicit drugs, they are entitled, without warrant, to enter forcibly and conduct a search. . . . According to the Commission's interpretation of the Act, the police, in such circumstances, may search everyone found on the premises whether or not each search is accompanied by reasonable suspicion. All it takes to render a person lawfully vulnerable to such intrusions is the coin-

cidence of being innocently present on suspicious premises. . . .¹

DEMOCRACY AND FREEDOM

This unfortunate incident illustrates the theme of this Case Study — how much control should a democratic government have over an individual's freedom of action? Democratic societies are based on the belief that people should decide for themselves how to worship, what to read, write and say, where to work, and with whom to associate. This is one of the basic differences between a democratic nation and a non-democratic state. In a dictatorship, the ruler usually decides how the citizens should live, whereas in a democracy, the objective is for the citizens to decide for themselves how they will live.

The survival of the democratic system depends upon the preservation of these freedoms. Many democratic nations (as we shall see in Chapter 2) have been turned into dictatorships, without the shedding of a drop of blood, when people no longer cared enough to preserve their freedom. It is often easier to let someone else make the decisions that we ourselves ought to make as responsible citizens, and it is never easy to regain what one has lost through carelessness. Perhaps the most eloquent warning of the perils to freedom emerged from the ruins of World War II. Recounting his experience with the Nazi regime in his country, Reverend Martin Niemöller, a German Protestant clergyman, made the following statement:

First they arrested the Communists
— but I was not a Communist, so I

did nothing. Then they came for the Social Democrats — but I was not a Social Democrat, so I did nothing. Then they arrested the trade unionists — and I did nothing because I was not one. And then they came for the Jews and then the Catholics, but I was neither a Jew nor a Catholic and I did nothing. At last they came and arrested me — and there was no one left to do anything about it.

Here is the everlasting problem of democracy: the very freedoms that democracy gives us — such as freedom of speech — can be used against democracy by its enemies. Yet we cannot preserve freedoms by destroying them — if freedoms are denied to one person or one group, they can just as readily be taken away from every citizen.

THE NEED FOR ORDER

If freedom is defined as the absence of restraint, then freedom is impossible. We are constantly restricted and controlled by the religious and moral beliefs of society, by government rules and regulations, by our need to make a living, and by the actions of other individuals. These and other restrictions prevent us from always doing what we want — even Robinson Crusoe was limited by his environment and his own abilities.

There are two aspects of freedom: the first is the freedom to do what one wants, and the second is the freedom from being interfered with by others. Together, these two aspects of freedom present a paradox — does individual freedom include the right to kill and maim others? If so, then the victims have been deprived of their rights. This is the paradox: the victim and the attacker cannot both have absolute freedom of choice. If a cigarette smoker has the right to smoke, does he also have the right

¹Alan Borovoy, "The Powers of the Police and the Freedoms of the Citizen," in Norman Bowie, R.L. Simon, *The Individual and the Political Order: An Introduction to Social and Political Philosophy*, Prentice-Hall, 1977, pp. 425-426.

to contaminate the air in an elevator? If a chemical company has the freedom to operate as it wants, does it have the right to pollute the rivers and destroy the livelihood of the fishermen who depend upon these rivers? Similarly, the freedom to let your front lawn become overgrown conflicts with your neighbour's freedom not to have to contend with dandelions or an unpleasant view from the front window.

The preamble to the Canadian Bill of Rights states that "men and institutions remain free only when freedom is founded upon respect for moral and spiritual values and the rule of law." The state, in other words, protects your freedom by restraining mine. If I steal your car, the state will put me in jail and I will lose my freedom because I restricted your freedom to drive your car. An important problem which each democratic society must solve is achieving the proper balance between public order and individual freedom. How much power should the state have over the individual? A balance must be struck between our freedom to associate with whomever we wish, and to speak, write, and worship as we please, and the government's duty to preserve the peace and protect the general welfare. To what extent should the individual be bound by the law? Are there circumstances under which a citizen is justified in disobeying the law? This is an issue that has been debated for centuries; the following are the arguments that are frequently used for each side of this argument:

The Obligation to Obey the Law

Violence is not justified in a democracy because a democracy offers alternatives to it. Violence is counter-productive because it nourishes repression, not justice. American democracy, declared President J.F. Kennedy

... is founded on the principle

that observance of the law is the eternal safeguard of liberty and defiance of the law is the surest road to tyranny. . . . Americans are free, in short, to disagree with the law, but not to disobey it. For in a government of laws and not of men, no man, however prominent or powerful, and no mob, however unruly or boisterous, is entitled to defy a court of law.

If this country should ever reach the point where any man or group of men, by force or threat of force, could long deny the commands of our court and our Constitution, then no law would stand free from doubt, no judge would be sure of his writ and no citizen would be safe from his neighbours.

According to this argument, no one in a democracy is justified in disobeying a law because there is no guarantee that he or she will disobey only unjust laws. This, in turn, will undermine the willingness to obey all laws, and the collapse of society will follow. Furthermore, if one person is allowed to disobey one law, everyone must then be allowed to disobey other laws when the circumstances seem to be justified. This will only make the situation worse — as soon as we entrust the right of disobedience to everyone, we can be sure that many just laws will be disobeyed. The choice is between social order and chaos.

The Right to Disobey the Law: A Counter-Argument

Although disobedience should not usually be condoned, there are times when it is justified. Disobedience, for better or worse, does settle some problems, often for the better. The best example is the success of the civil rights movement in the United States during the 1960s. The theory

of non-violent civil disobedience was best expressed by Martin Luther King in his famous letter from an Alabama jail on April 16, 1963:

I have almost reached the regrettable conclusion that the Negro's great stumbling block in his stride toward freedom is not the White Citizen's Councilor or the Ku Klux Klanner, but the white moderate, who is more devoted to "order" than to justice. . . . I had hoped that the white moderate would understand that law and order exist for the purpose of establishing justice and that when they fail in this purpose they become the dangerously structured dams that block the flow of social progress. I had hoped that the white moderate would understand that the present tension in the South is a necessary phase of the transition from an obnoxious negative peace, in which

the Negro passively accepted his unjust plight, to a substantive and positive peace, in which all men will respect the dignity and worth of human personality. Actually, we who engage in nonviolent direct action are not the creators of tension. We merely bring to the surface the hidden tension that is already alive. We bring it out in the open, where it can be seen and dealt with. Like a boil that can never be cured so long as it is covered up but must be opened with all its ugliness to the natural medicines of air and light, injustice must be exposed, with all the tension its exposure creates, to the light of human conscience and the air of national opinion before it can be cured.²

²Martin L. King, Jr., *Why We Can't Wait*, New York: Harper and Row, 1964, pp. 87-88.

QUESTIONS:

1. Half of the class will write a fictional story describing what life would be like in Canada if there were no restrictions on individual freedoms. The other half will write a fictional story describing what life would be like if there were no restrictions on police powers. Compare the stories.
2. Is a democratic government ever justified in suspending democratic rights in order to defend democracy? Describe a situation in which this might occur.
3. Describe situations in which freedom of the press, freedom of association, and freedom of speech might need to be restrained.
4. Write a short essay based on the statement "A threat to the freedom of one Canadian is a threat to the freedom of all Canadians."
5. Table 1-5 illustrates the opinion of Canadian university students on specific civil liberties. Answer the following questions about it:
 - a) Which civil liberty is each question testing? (Refer to the introduction on democracy if you need help.)
 - b) From the data, which civil liberties do these university students support most strongly? Which do they support least? Are there any civil liberties which they do not support? Offer explanations for your findings.
 - c) Conduct a similar poll of the students in your school. Analyse the results and

compare them to the results in Table 1-5.

6. What alternatives to violence are available in Canada?
7. a) Make a list of the laws you have broken and explain your justification for breaking them.
- b) What might happen if everyone broke these laws?
- c) Do you agree with Martin Luther King's letter? Explain.
- d) Would you agree with King if he advocated violence? Explain.

RESEARCH QUESTIONS:

8. Prepare for a debate on one of the following topics:
 - a) The rights of non-smokers.
 - b) The right to erect billboards on one's own front yard.
 - c) The right of police officers to search suspects.
 - d) The right of a democratically-elected parliament to legislate democracy out of existence.

TABLE 1-5: OPINIONS OF UNIVERSITY STUDENTS ON CIVIL LIBERTARIAN ITEMS
(in percentages)

Item	Agree	Disagree	Don't know
1. The government should have the right to prohibit any group of persons who disagree with our form of government from holding public meetings.	3	94	3
2. The government should have the power to pass laws making it illegal to speak against racial and religious groups.	20	72	8
3. It unduly hampers the police in their efforts to apprehend criminals when they have to have a warrant to search a house.	17	73	8
4. The police are justified in holding a man with a long criminal record until they have enough evidence to indict him.	12	76	11
5. It is wrong for government investigators to take pictures of people listening to a street-corner speech.	40	39	20
6. The government should hire defence counsel for admitted rapists and murderers who cannot afford their own counsel.	82	11	7
7. The government should be able to censor movies before they are released to the public.	32	59	8

Source: W.B. Devall, "Support for Civil Liberties Among English-Speaking Canadian University Students," *Canadian Journal of Political Science*, III, September 1970, p. 437.

POLICE POWERS IN CANADA

In the late 1970s, as a result of a series of investigations, many Canadians were shocked to learn that some units of the Royal Canadian Mounted Police had apparently committed a series of illegal acts.

In 1972, it was revealed that an anti-subversive squad of the RCMP had illegally broken into the office of *L'Agence de Presse Libre du Québec* to obtain the names of people who supported certain left-wing groups. Another RCMP unit stole dynamite from a construction site with the intention



In 1980, Alan Strader of the Civil Liberties Association presented Solicitor General Robert Kaplan with a petition asking that proceedings be started against RCMP officers who had allegedly broken the law.

CP Photo

of planting it on suspected terrorists. In the same year, members of the force burned down a barn in Quebec to prevent a meeting between the Front de Libération de Québec (FLQ) and the American militant Black Panthers.

These acts raised a series of questions: What powers do the police have in carrying out their tasks? Are police powers too all-encompassing? What is the proper balance between the people's need for protection and their right to go about their business without unnecessary interference?

One of the RCMP's duties has been to combat terrorism, espionage, and subver-

sion. Part of this job involves infiltrating potentially dangerous organizations, keeping continuous surveillance of their activities, and thwarting their plans. For the most part, the RCMP has had an excellent law-enforcement record in Canada. This is why the debate in the House of Commons, conducted on October 11, 1977, aroused such emotion.

As you read part of this debate, try to decide how much power the police should have without unduly restricting the freedom of all Canadians. Use the problem-solving techniques outlined in Unit One to assist you in this inquiry.

Royal Canadian Mounted Police — Illegal Acts Committed by Force

MR. JOE CLARK (Progressive Conservative leader of the Opposition): Mr. Speaker, it is not a happy occasion for the House of Commons or for the country that it is necessary for us to meet in a special debate tonight to deal with the matters which have given rise to this debate.

On at least four occasions we now know that the security service of the RCMP broke the law of Canada in the name of national security. . . .

Everyone accepts that, in the modern world, governments have to authorize and follow some secret activities. But we must be alarmed about the apparent pattern of breaking the law which has emerged in the last few months, and we must be alarmed about the use of "national security" as an excuse to hide a multitude of sins.

MR. EDWARD BROADBENT (leader of the New Democratic Party): Mr. Speaker, the basic facts relating to the debate tonight are as follows: as a result of information provided in the last 72 hours, we now know that there was a break-in at the Parti Québécois office on January 9, 1973. . . .

These are the crude facts; but what is involved is something well beyond the crude facts. First, there is the principle of the rule of law, — that is, the principle that all citizens, including politicians and policemen, must act in accordance with the law established by the Parliament of Canada.

Some Hon. Members: Hear, Hear!

MR. FRANCIS FOX (Solicitor General): The security service of our country is involved with affairs regarding essentially matters of sabotage, espionage from outside the country —

An Hon. Member: Burning barns.

MR. FOX: — matters of subversion, and matters of terrorism. Hon. Members op-

posite can say what they want, but the question of terrorism, either national or international, as recent events around the world have shown, is a real concern to all democratic countries. There is, of course, the whole matter of foreign intelligence operations in and against this country. These are the essential elements of the mandate that the government has given to the security service of Canada. It is an extremely important mandate: the continued well-being of this Confederation and of our Canadian society depends on it. . . . Why is it that we can only speak about the things which do not work out? Why is it that we can never speak of the magnificent job done by —

An Hon. Member: Come off it, Fox.

MR. FOX: The opposition does not like to hear me speak of the good work done by the security service. The opposition does not want me to talk about the magnificent job the security service, and the RCMP in general, did during the course of the Olympics in Montreal.

Some Hon. Members: Hear, hear!

MR. ANDRE: We liked the musical ride, too. Get to the point. . . .

MR. FOX: It seems to me that all of us in this House have a responsibility to ensure that the security services of our country are effective. Everyone here says publicly that the security service is essential to the continued existence and survival of our democratic country but we do not seem ready, in all corners of the House, to give the service the necessary powers or the necessary mandate. . . .

(*Translation*) MR. RENE MATTE (Conservative, Champlain): Mr. Speaker, it is about time that our citizens realize that even in this country there are shameless abuses of power. This is undoubtedly due to the fact that even in our western democ-

racies, we have not yet learned to differentiate between power and authority, so that those who are entrusted with power think that they have the necessary authority and they put those two different things together to do as they like. . . . [During the course of the debate, the Liberal government was accused of using the RCMP to break into the offices of Quebec separatists, in order to find material to discredit separatists.]

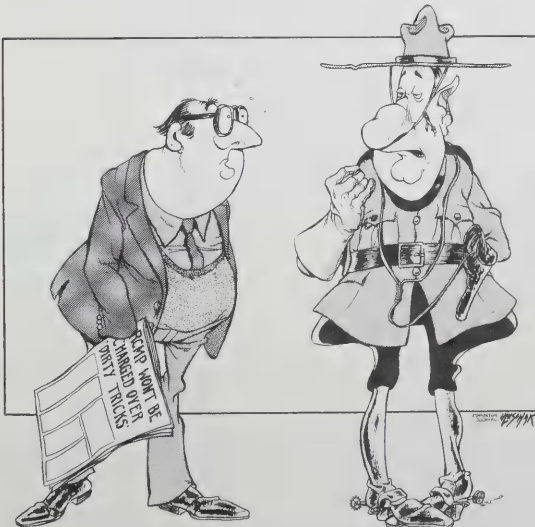
Mr. Speaker, when a government has reached the point where it makes use of law enforcing agencies to achieve its own political ends and, which makes things even worse, condones accordingly their illegal activities, the least we can do is wonder where we will end up this way. On the other hand, the government should stop pleading the security of the state over and over again, for the only real agents provocateurs are the very people who are in power now. . . .

MR. STUART LEGGATT (New Democratic Party, New Westminster): Tonight we witnessed the Solicitor General wrapping himself in the flag and saying: "Oh you

fellows over there are just carping about the RCMP. Why don't you talk about all the wonderful things the RCMP has been doing?" I want to say, Mr. Speaker, that I am proud of the RCMP. I have always supported the RCMP. . . . It is the opposition that is trying to protect the RCMP from being destroyed by an incompetent government and an incompetent minister. That is what is happening.

We cannot start this debate without trying to distinguish between political dissent and subversion, and this government has failed to understand the difference.

MR. S. HOLT (Liberal): . . . how naive to think that our police force should work like boy scouts in dealing with crime. The police would not be able to use the sophisticated devices which are available to the most dangerous of criminals if Hon. Members opposite had their way. They would have to obey all of the rules, the legal niceties, and play nice games under the Marquess of Queensberry rules, rather than matching their skills, knowledge, wisdom and powers.



This cartoon appeared in the *Edmonton Journal* in 1980, during the Royal Commission investigation into RCMP wrongdoing. It had just been announced that RCMP officers would not be charged with illegal activities. Is the cartoon fair? Do you think the cartoonist could defend his work by arguing that it was intended to show a particular point of view, and that it was really not intended to be "fair"? Analyse the bias of the cartoon, using the types of questions suggested for problem solving and evaluating information found in Unit One.

They must have some powers to counter organized crime and international terrorists, to protect the people of Canada. . . . I think my constituents and constituents across Canada as a whole want their peace, freedom and security, their right to walk the streets in safety. . . .

MR. ALLAN LAWRENCE (Conservative, Northumberland-Durham): In law enforcement, in my experienced opinion, there can be no fighting fire with fire. You do not rape to find a rapist. You do not use drugs to find those who are abusing our drug rules and laws. You do not blackmail to catch a blackmailer.

Some Hon. Members: Hear, hear!

MR. LAWRENCE: It does not matter whether it is a major crime or a minor misdemeanour. It does not matter whether the allegation is the bugging of a member of parliament's office or whether it is a question of national security. The law is the law. It is open, known, fair, and impartial. The high and mighty, as well as the low and miserable, are equally bound. If they can-

not fairly obey the law, then they cannot fairly enforce the law. This applies to the police, to security groups, and to governments. . . . The law in some instances may be an ass, but it is not up to a security group or the police to change it, or apply it to others and not themselves.

In this case the police did not follow the law. They broke in during the dead of night, which suggests in itself that they knew they were acting illegally. They put themselves above the law. . . . Motive simply does not enter into it. Whether it is dealing with national security or not, should any group be permitted to break the law which it has been sworn to enforce?

MR. ANDREW BREWIN (N.D.P., Greenwood): We do not question their responsibility in the field of sabotage and terrorism, nor do we question that society must be protected against these critical problems. But the first and most important protection we have is the respect that we must all have for the law itself. How can law and order prevail if the guardians of the law themselves spurn and infringe the clear precepts of the law?

QUESTIONS:

9. a) List the Conservative and N.D.P. criticisms of the government.
b) List the Liberals' justification for their actions.
c) Which side do you agree with and why?
d) Imagine that you are a Member of Parliament. Prepare a short speech that you would deliver as part of this debate.
10. Write a short essay based on one of the following statements:
 - a) The police should be allowed to break the law in order to preserve national security.
 - b) No one, including the police, should be above the law.
 - c) The RCMP should not be controlled by the government.
11. a) To what extent do democratic nations need some form of emergency legislation which will give the police extraordinary powers in times of national peril?
b) Who will decide when the nation is in peril?
c) Which individual freedoms should be safeguarded, and how can they be protected?

12. Wiretapping and other forms of electronic surveillance are considered by the police as necessary to prevent crime. The justification of these devices has three major aspects: firstly, crime is on the increase and we need every reasonable technique at our command to combat it; secondly, fighting organized crime (such as the Mafia) presents the police with very different problems than does apprehending the individual criminal; thirdly, the criminal will use technology to aid his endeavours and the police should not be handicapped by having its use denied to them.

The demand for greater police powers is commonly justified by the claim that only criminals have anything to fear; wider police wiretapping powers, it is argued, will only be used against organized crime. However, neither the police nor the justice system is infallible. Even with the best intentions, it is impossible to ensure that law enforcement efforts are directed only towards those who are guilty of crimes.

Set forth your view on the subject outlined above.

RESEARCH QUESTIONS:

13. Divide into small groups and prepare a solution for the following dilemma: how can society limit police activity without hampering the police in their law enforcement duties?
14. Research and report on one of the following topics:
- a) In 1937, the Social Credit government of Alberta passed "An Act to Ensure the Publication of Accurate News and Information." This amounted to more than simple censorship of the news. The government was given the power to force newspapers to carry any information the government demanded. The government, not the news media, had the power to determine what was accurate news. This attack on the freedom of the press was so widely denounced that the act never became law.
 - b) The defection of Igor Gouzenko from the Soviet embassy at Ottawa in September 1945, revealed widespread Russian spy activities against western democracies. As a result of Gouzenko's information, the Canadian government seized a number of suspected spies and traitors. An *order-in-council* (a law that does not need Parliament's approval), empowered the minister of justice to hold suspects indefinitely, and to deny them legal advice. This was a clear breach of the right of *habeas corpus*, and it set a precedent that worried many people. If an order-in-council could be used on one occasion to suspend a freedom by overruling the accepted laws of the land, what is to prevent another government from doing the same whenever it pleases?
-

PRESSURE GROUPS, ELECTIONS, AND DEMOCRACY

1. Make a list of all the organizations, clubs, and groups to which you belong. Do the same for your parents.
2. Briefly list the purpose of each organization and explain why you or your parents are members of each one.
3. Join two fellow classmates and, using the answers to questions 1 and 2, devise a method of categorizing the *general* reasons (such as ethnic similarities) for the existence of clubs and organizations.

Are pressure groups simply a tool used by rich and powerful people in society to control government policies?

The following excerpts from the constitutions of several Canadian associations provide an insight into both their objectives and the areas in which they might influence government policies. The Canadian Textiles Institute exists, it states, "entirely for

the purpose of supporting the efforts of members to develop, maintain and extend a favourable business climate in which to operate." The Montreal Board of Trade similarly "voices the outlook of business in matters of public concern, encourages active exchange of ideas and opinions among businessmen, provides information on government legislation and regulations, and seeks equitable conditions should the latter be unduly restrictive or burdensome." The Toronto Musicians' Association seeks to "unite into one organization all persons who become members, to secure for the members improved wages, hours, working conditions, and other economic advantages through collective negotiations and bargaining."

High among the priorities of most of these organizations is a mandate to represent the group's interest before the government. This function tends to be emphasized mainly in association publications. A Canadian Mining Association brochure, for example, states that its "main role is to project the views of the industry on a national scale and co-ordinate its efforts with those of government departments in regard to policies affecting exploration, mining and processing, and the development of exports."¹

Methods of Influencing Government Policies

Pressure groups attempt to influence government policies in many ways. They may persuade their members to write to local Members of Parliament; they can submit briefs to government committees; they can attempt to influence election results by

making their views known to the public; or they can establish a close working relationship with important civil servants and politicians. Probably the most effective persuasion occurs behind closed doors and without much publicity. This is called lobbying. The following account vividly describes this method of influencing public policies:

In the old redbrick houses of downtown Ottawa, in posh new executive suites, in the comradely exclusiveness of the Rideau Club, in the select eateries of the nation's capital and the nooks and crannies of parliament — there is an almost unknown and invisible branch of Canada's government. It is the Ottawa lobby — a growing army of people whose job it is to find out what the government is doing and to influence policy on behalf of organized interest groups and private companies. . . . They represent all kinds of groups — aircraft makers, ban-the-bombers, barristers, bakers, brewers, manufacturers and mushroom growers, trade unions and war veterans, to name a few. . . . It is estimated that three-quarters of the important "blue-chip" Canadian companies are now represented in the capital, most of them by their own men.

Hundreds of other companies have a representative of some kind — a lawyer, senator, accountant or one of the freelance lobbyists who take on several clients. What do they get for their money? Why do they maintain Ottawa offices? "Fear," is the answer given by one Ottawa insider. "They're afraid they'll be left out or left behind if they don't have somebody here." "They don't really expect to influence policy or anything. They're

¹Adapted from Robert Presthus, *Elite Accommodation in Canadian Politics*, Cambridge University, 1973, pp. 101-102.

just buying insurance against a policy that could really hurt them."

But other people in the lobbying business say companies get real benefits from having their own men on the spot. For one thing, it gives them a guide through the growing jungle of red tape. Companies outside the capital often waste precious weeks and months just writing letters to the wrong civil servants or failing to give all the information the government must have to act.

This is lobbying far below the level of policy making. It involves no bribes or pressure or favoritism. A man on the spot can find out what's holding up a customs case or a contract award with a telephone call. He knows who to call. He knows who has the authority to remove road blocks. Often what he does is simply to get a document moved from the bottom of a pile of papers to the top. . . .

"I'm a salesman," says one big company lobbyist in Ottawa, "and my stock in trade is information."²

Canadian lobbyists focus their attention on the civil service and the cabinet, rather than on the individual Member of Parliament. The reason why the civil service is a primary target for pressure groups is explained by a prominent senior civil servant:

People who really want to guide and influence government policy are wasting their time dealing with Members of Parliament, senators and, usually, even ministers. If you want results — rather than just the satisfaction of talking to the prominent — you deal with us, and at

various levels. . . . To produce results you need to see the key planners, who may be way down in the system, and you see them early enough to push for changes in policy before it is politically embarrassing to make them.

This view is reiterated by "a highly successful lobbyist."

Really, most new ideas begin deep in the civil service machine. The man in charge of some special office . . . writes a memo suggesting a new policy on this or that. It works its way slowly up and up. At that stage civil servants are delighted, just delighted, to talk quietly to people like us, people representing this or that corporation or industry directly involved. That is the time to slip in good ideas. Later it oozes up to the politicians and becomes policy. By the time it is a government bill it is the very devil to change it. Then you have real trouble.³

Cabinet ministers are also important targets for lobbyists, because final policy decisions are ultimately up to them. Individual back-benchers usually rubber stamp the cabinet's decisions and concentrate more on the needs of their constituents than on important policy issues. When a bill has reached the House of Commons, it can be radically amended only after considerable embarrassment to the government.

Pressure groups rarely employ just one tactic at a time. When the Consumers' Association of Canada began its campaign to ban the use of trading stamps in super-

³Quoted in W.T. Stanbury, *Business Interests and the Reform of Canadian Competition Policy, 1971-1975*, Toronto: Carswell/Methuen, 1977, p. 20.

²*Southam News Service*, April 9-15, 1964.

markets, it requested all its members to write letters to their Members of Parliament; presented briefs to federal and provincial attorneys-general; made submissions to the prime minister and the minister of justice; recruited the support of such organizations as the Retail Merchants' Federation, the Canadian Labour Congress, and the Canadian Federation of Agriculture; and distributed material to the media in order to publicize its position. It is important to note, however, that the Consumers' Association did not completely succeed in this impressive attempt to influence gov-

ernment policy.

Although public relations campaigns are less important than behind-the-scenes lobbying, they can be an important supplement to the pressure group's overall plan. In some cases, major changes in government policy have resulted from the mobilization of public opinion. A survey of 134 federal M.P.s disclosed that 56 percent of them considered "mobilizing public opinion" the most effective method of influencing government policy. Certainly, it takes a strong-willed person to resist the pressure that the media can mount.



In 1981, residents of a suburb in Scarborough, Ontario, discovered low-level radioactive waste in their backyards. Some thirty years earlier, a factory had been on the site, and the owner had dumped the waste. The Canadian government decided to take action. But when it announced that the soil would be stored temporarily at Canadian Forces Base Borden, a demonstration took place there, and the proposal was dropped. At that point, local and provincial authorities disagreed on whose responsibility the matter was. Six months later, the soil was still in the Scarborough backyards.

To what extent does this situation illustrate the dilemma faced by democratic governments when competing pressure groups urge opposite actions? Or does it illustrate that pressure groups give governments an excuse to do nothing? What other interpretations are possible in this situation?

CP Photo

PRESSURE GROUPS — FOR BETTER OR FOR WORSE?

According to some political scientists, pressure groups are an essential part of Canadian democracy. They are the principal mechanism by which interested people make their preferences known to government policy-makers on a day-to-day basis and keep tabs on politicians' activities.

Pressure groups, say their supporters, provide a necessary communications link between the governed and the governors. Lobbyists provide decision-makers with information about the "real world," including technical information as well as an assessment of the feelings and attitudes of the organization's members. In this way, pressure groups provide opportunities for meaningful political activity and help government to identify areas of dissatisfaction.

The communication flow is two-way: government often uses pressure groups as a means of testing its proposals before taking them to Parliament; pressure groups are also utilized to help explain government policies to the public and obtain support for them. Finally, lobbyists act as a check on the government, advising, warning, and providing alternate courses of action for the legislators.

The basic flaw in this theory, according to another group of political scientists, is that some segments of society are better organized than others and can mobilize

greater resources in support of their interests. These resources include money, available time, organizational skills, and political connections. In fact, some areas of society remain unorganized or poorly organized at best. By and large, the most active pressure groups represent producers rather than consumers; although there are many labour unions, consumer associations, charitable societies, and church groups, the most influential pressure groups represent business. In addition to their contacts with the media, business groups maintain continuous contact with important government agencies. As a result, when the desires of a multinational oil company (to take one example) come into conflict with an environmental group, the oil company has the advantage.

The very fact that pressure groups work behind closed doors, argue their detractors, means that at best they are subverting the idea of open government. At worst, they have something to hide. Civil servants and politicians naturally wish to work with the most powerful pressure groups because they do not want to antagonize these groups and jeopardize important political support. What tends to happen is that wealthy groups, which can afford to hire teams of lawyers, lobbyists, and publicists, are more able to influence government decisions. There are always more poor people than rich people, yet the existence of pressure groups enables the minority to dominate the majority — the very antithesis of democracy.

QUESTIONS:

4. How do pressure groups differ from the organizations to which you belong?
 - a) Describe a situation in which one of your organizations might temporarily become a pressure group.
 - b) Discuss the tactics your group might choose to present its case.
 - c) What are the chances for success? Explain.
 - d) To what extent would your chances of success rest upon the organization's

finances? What does your answer imply about the benefits of pressure groups in a democracy?

5. Explain why civil servants are the prime targets of Canadian pressure groups. To what extent does this undermine the function of the House of Commons?

RESEARCH QUESTIONS:

6. Read your local newspaper for two days and make a list of all the interest groups mentioned. Which groups are attempting to influence government policies? What tactics are they using? How many of these groups represent the wealthy and influential members of society?
7. Prepare for a debate (or write an essay) on the topic: "Pressure groups are essential (or detrimental) to the proper working of democracy."

The Impact of Pressure Groups: An Historical Example

Canadian pressure groups have generally avoided formal affiliation with a specific political party. After all, the party might lose the election. Sometimes, however, one particular group in society comes to believe that its livelihood or values will be endangered if a certain political party gains power.

The following example illustrates how one group — the Ontario business community — responded to such a situation. The fact that this issue is historical allows us to examine it in much greater depth than we can usually do when we deal with contemporary matters where many relevant documents and much inside information is not yet available.

Background to the 1911 Federal Election

In 1910, Sir Wilfrid Laurier and the Liberal party had been in power for fourteen years. During this period the government had alienated different sections of the nation, and its provincial organizations — especially in Ontario — had become all but dead. However, there was no reason to expect that the Conservative party would be swept into power the following year. In fact,

when the minister of finance announced to the House of Commons on January 26, 1911 that the government had signed a reciprocity agreement with the United States, which would allow Canadian natural resources easier access to the American market, the Liberal party seemed assured of another term in office. Sitting in the gallery of the House that night, the correspondent for the *Montreal Herald* wrote that as the list of Canadian goods which would be admitted to the United States

swelled and swelled and swelled as it grew to the proportions of a nation's commerce, and members leaned forward to catch every word, triumph was written on the faces of the Liberals and dismay painted on the visages of the Opposition. There was not much cheering. Interest was too keen to tolerate interruption. But there were occasions when enthusiasm mastered curiosity. Free fish, free wheat, oats, barley, and buckwheat, free potatoes, free dairy products and free hay conceded by the United States brought forth a tumult of appreciation which for a moment halted the Finance Minister in his triumphant recital. And when he closed the Liberals

cheered and cheered again.⁴

The Conservative party, under the leadership of Robert L. Borden, was despondent. The following day at the Conservative caucus, Borden reported:

The atmosphere that confronted me was not invigorating; there was the deepest dejection in our party, and many of our members were confident that the Government's proposals would appeal to the country and would give it another term of office. Foster [Conservative M.P.] was greatly impressed by the proposals and said that when they were presented his heart had gone down into his boots. The western members were emphatic in their statements that not one of them would be elected in opposition to Reciprocity. One of them declared that he dare not vote against the Government's proposals. I stemmed the tide as best I could, although I was under great discouragement.⁵

Less than eight months later, the Conservatives had defeated the Liberals. There are many explanations of the Liberals' defeat. In British Columbia, the electorate had been antagonized by Laurier's immigration policies. The Liberals' decision to establish a separate Canadian navy had divided the prime minister's support in Quebec between the Liberals and the Nationaliste party of Henri Bourassa. In Ontario, the Liberals' provincial organization was in tatters, and the Conservatives had the support of the powerful provincial Conser-

vative government of James Whitney. Despite these and other issues, historians generally attribute Borden's victory to the reciprocity issue.

The motives behind Laurier's decision to adopt reciprocity with the United States are cloudy. Perhaps he believed that it would draw attention away from his unpopular navy decision. Certainly, Laurier had always been in favour of freer trade with the United States, and was convinced that it would help both countries. Probably what tipped the balance was the prime minister's tour through western Canada in the summer of 1910. Throughout the trip, Laurier was besieged by farmers clamouring for tariff reductions.⁶ As a result, when President Taft approached Laurier about freer trade in January of 1911, the prime minister complied. The final agreement removed, or significantly lowered, American tariffs on Canadian agricultural, mining, fishing, and forest products, and Canada lowered its tariffs on a long list of American manufactured products.

However, the purpose of this Case Study is not to determine why the Conservatives

⁶A *tariff* is a tax imposed upon imported products. Most nations tax imported goods in order to protect or encourage the production of these goods in their country. Running shoes made in the United States, for instance, cost more in Canada than in the States because of the Canadian tariff. Because the tariff increases the price of imported shoes, new Canadian firms have a chance to compete for the running shoe market. The tariff is thus intended to foster Canadian manufacturing and to provide jobs. It does, however, increase the price that consumers must pay for these protected items. In general, manufacturers have supported tariffs and farmers, fishermen, and lumbermen have opposed them.

Laurier's reciprocity agreement simply promised to lower the tax on American-made goods, if the United States would lower its tariffs on Canadian natural resources.

⁴Paul Stevens, *The 1911 General Election: A Study in Canadian Politics*, Toronto: Copp Clark, 1970, p. 6.

⁵Henry Borden (ed.) *Robert Laird Borden: His Memoirs*, Toronto: Macmillan, 1938, p. 303.

won the 1911 federal election, but to examine the activities of the Ontario business community during the election.

The Toronto Eighteen

With the announcement of the reciprocity agreement, the Liberals had apparently won a great victory. The Conservatives therefore had to find an effective counter-proposal. The weekend following the Tories' caucus meeting, some Ontario M.P.s returned home to discover considerable opposition to reciprocity amongst the business community. One Toronto member reported to Borden that "the best thinking people in the community — Bankers, and nearly everyone whom I have consulted who are in business in a large way, look at the question from the broad standpoint of our national existence. . . ."⁷

Borden encouraged this support by informing the Ontario premier (who was expected to pass on the message) that "if the business interests of the country believe that this crisis can be met by a few casual meetings and an occasional vigorous protest, they are living in a fool's paradise."⁸

On February 20, eighteen influential Liberals deserted their party. Their reasons were presented to the electorate in the following (summarized) statement:

Manifesto of the Toronto Eighteen

- The present prosperity in Canada has been brought about by the protective tariff. The reciprocity agreement will seriously harm this prosperity.
- The reciprocity agreement will hamper Canada's trade with the British empire. It will also reduce internal trade among our nine provinces. This will hurt national

unity and our national development.

- Canada will no longer be able to decide for itself what to trade and with whom. This will hamper us from developing our own resources.
- The agreement will weaken our ties to the British empire, and the increased trade with the United States will make it difficult to prevent annexation to the States.
- Because we believe that Canadian nationality is seriously threatened, we wish to openly state our opinions against reciprocity — even though up to this time we have supported the Liberal party.

Signed

B.E. Walker	Toronto
John L. Blaikie	"
W.D. Mathews	"
W.K. George	"
Z.A. Lash	"
W.T. White	"
G.T. Somers	"
Robt. S. Gourlay	"
Wm. Mortimer Clark	"
R.J. Christie	"
H. Blain	"
H.S. Strathy	"
L. Goldman	"
Geo. A. Somerville	"
W. Francis	"
James D. Allan	"
E.R. Wood	"
Jn. C. Eaton	"

An Economic Profile of the Toronto Eighteen

B.E. Walker: president of the Canadian Bank of Commerce.

J.L. Blaikie: president of the Canada Landed and National Investment Co.; director of the Canadian Northern Railway and Toronto General Trust Corporation; president of the North American Life Assurance Co. and Consumers' Gas Co. of Toronto.

⁷Quoted in Robert Craig Brown, *Robert Laird Borden: A Biography*, (Vol. I, 1854-1914), Toronto: Macmillan, 1975, p. 177.

⁸*Ibid.*, p. 178.

W.D. Mathews: ex-president of Toronto Board of Trade; vice-president of the Dominion Bank; director of the C.P.R.

W.K. George: president and managing director of the Simpson Hall Miller Co. Ltd.; director of the North American Life Assurance Co. and the International Mercantile Agency; vice-president of the Sterling Bank; member of Toronto Board of Trade.

Z.A. Lash: chief counsel for the Canadian Northern Railway, the Canadian Bankers' Association, and the Canadian Bank of Commerce; vice-president of the Quebec and Lake St. John Railway, the Canadian Northern Railway, the National Trust Co. and the Canadian Bank of Commerce; director of the Toronto Brewing and Malt-ing Association, the British American Assurance Co., the Bell Telephone Co., and Mackenzie, Mann and Co. Ltd.

W.T. White: vice-president and general manager of the National Trust Co.

G.T. Somers: president of the Sterling Bank, and Ontario Securities Co.; vice-president of Continental Life Assurance and Toronto Board of Trade.

R.S. Gourlay: senior partner in C. Winter and Leeming, importers and manufacturers of pianos; president of Toronto Board of Trade.

W.M. Clark: president of the Toronto Mortgage Co.; director of the Metropolitan Bank, the Consumers' Gas Co., and Canadian General Electric Co.

R.J. Christie: president of Christie, Brown & Co.; involved in several manufacturing interests.

H. Blain: founder of extensive wholesale grocery firm; past president of Toronto Board of Trade; director of the Toronto Electric Light Co., and Globe Printing Co.; president of the Ontario Sugar Co., Berlin,

Ontario, and Dominion Wholesale Grocers' Guild.

H.S. Strathy: former branch manager of the Canadian Bank of Commerce and general manager of the Traders' Bank of Canada. Since retired, he was counsellor of the Canadian Bankers' Association.

L. Goldman: managing director of the North American Life Assurance Co.; president of the Insurance Institute, Toronto.

G.A. Somerville: managing director of the Manufacturers' Life Insurance Co.

W. Francis: director of the Standard Bank and several Toronto companies.

J.D. Allan: ex-president of Toronto Board of Trade.

E.R. Wood: vice-president of the Central Canada Loan and Savings Co.; general-manager of the Dominion Securities Corporation; director of the Canadian Bank of Commerce, the Grand Trunk Pacific Railway, the Crow's Nest Pass Coal Co., the Niagara, St. Catharines and Toronto Railway, the Calgary Power Co., the Ontario Electrical Development Co., the C.G.E. Co., the Buffalo, Lockport and Rochester Railway, the Canadian Wood Pulp Association, the Canada Life Assurance Co., the British American Assurance Co., and the Western Assurance Co.

J.C. Eaton: president of T. Eaton Co. Ltd.; owner of many factories in Ontario; director of the Sterling Bank and the Dominion Bank; president of the Turbine Shipping Co. and Hamilton Steamboat Co.⁹

⁹This profile was adapted from R.D. Cuff, "The Toronto Eighteen and the Election of 1911," *Ontario History*, Vol. LVII, Toronto: Ontario Historical Society, December 1965, pp. 170-172.

Merger With the Conservatives

The Toronto Eighteen was joined eight days later by former Liberal Cabinet minister Clifford Sifton and Liberal M.P.s William German and Lloyd Harris — all of whom spoke against reciprocity in the House of Commons. On March 1, Sifton, Lloyd Harris (a prominent manufacturer whose interests included Massey-Harris and Stelco), Zebulon Lash, and Liberal M.P. and newspaper editor John S. Willison, met with Borden to arrange a basis for political co-operation. The following is a summary of Willison's account of this meeting:

1. On Wednesday, March 1st, 1911 the four of us met at Sifton's office to discuss how we could arouse popular opinion to defeat both the reciprocity agreement and the Liberal government, as well as to arrange terms on which we could agree to support Mr. Borden. We asked Mr. Borden to agree to the following terms:

(1) That a Conservative Government would not cater to Quebec or the Roman Catholic element in the country beyond what is their due.

(2) That it should stand up to the American government, particularly in the control of our natural resources. That it

would be strongly Canadian in spirit and should preserve and strengthen Canadian nationality and the connection with the Mother Country.

(3) That in choosing his Cabinet, Mr. Borden should consult with Sir Edmond Walker, Mr. Lash, and Mr. Willison. This is to ensure that the above points are implemented. There should also be a reasonable number of Liberals in the Cabinet who are against reciprocity. . . .

(5) That the Department of Trade and Commerce be reorganized and placed under a strong, but non-partisan Minister. That a commercial consular service be established in foreign countries to protect Canadian interests and extend Canadian trade.

Mr. Borden declared himself in sympathy with all our demands, and promised to do everything he could to achieve them.

Under these assurances we pledged ourselves to cooperate with Mr. Borden and to begin to organize for the upcoming election.¹⁰

¹⁰From the Public Archives of Canada, J.S. Willison Papers, Vol. 105. Quoted in P. Stevens, *The 1911 General Election*, pp. 69-70.

QUESTIONS:

1. Briefly explain the objections of the Toronto Eighteen to reciprocity.
 2. Why do you think they published these objections in the newspaper?
 3. Re-examine the Economic Profile of the Toronto Eighteen and categorize those characteristics that the members have in common.
 4. With reference to the Economic Profile, explain why the Toronto Eighteen opposed reciprocity.
 5. Explain why one historian has described Willison's memorandum as "one of the most remarkable documents in Canadian political history."
-

Further Attempts to Influence Public Opinion

Financed by the business community, several organizations were established to work with the Tories to defeat reciprocity. The Canadian National League, led by Zebulon Lash, was one such group. It flooded the nation with anti-reciprocity literature and urged Liberal supporters to throw off the chains of partisanship — and vote Conservative.

The Canadian Manufacturers' Association (CMA) was officially non-partisan, but in March, the CMA established a Tariff Educational Fund to which members of the Association were asked to contribute. The money was used in "conducting a non-partisan tariff educational campaign among all classes of Canadian citizens" and articles were prepared with a special emphasis upon the benefits of protection to Canadian farmers. In April, the fund committee changed its name to the Canadian Home Market Association (CHMA).

Manufacturers contributed handsomely to the "educational fund." In August, the secretary reported that \$15 000 had been received from the CMA itself and \$40 000 had been pledged on an annual basis; that only one-third of the members had yet been canvassed; and that by January the CHMA could expect an annual contribution of \$100 000.

The articles prepared for the CHMA were distributed through the Canadian National League, the vigorous propaganda organization headed by Zebulon Lash, with the aid of various corporate and political mailing lists.

By late August, the CHMA had distributed nearly nine and one-half million copies of its material and was sending out twenty thousand items a day.

Every effort was made to keep the CMA's name out of the public eye. Its secretary was so secretive about his in-

volvement with the organization that he wrote darkly to Borden of "another organization . . . the details of which I cannot go into with you." Although the CHMA had its own office and letterhead, the CMA's executive was constantly worried that the CHMA's activities would be traced back to the CMA and agreed "the details of the operations of the committee . . . did not concern the public and they should be withheld."¹¹

The arguments used by these anti-reciprocity forces are revealed in this speech by Robert Borden:

In the past we have made a great sacrifice to further our national ideals; we are now face to face with a misguided attempt to throw away the result of these sacrifices.

The true issue is this. Shall we continue in the course which has led us to our present enviable position of prosperity and national development, or shall we, at the moment of greatest success and achievement, lose heart and abandon the fight for national existence?

Upon this momentous issue I appeal to the people with the utmost confidence and in the firm belief that their verdict will be for the unity and not for the disintegration of Canada; for the strengthening and not the loosening of the ties which bind this Dominion to the British Empire.¹²

The Conservatives also made effective use of the indiscretions of some American

¹¹Adapted from R.C. Brown, *Robert Laird Borden: A Biography*, pp. 190–191.

¹²From *The Daily Mail and Empire*, Toronto, August 15, 1911. Quoted in P. Stevens, *The 1911 General Election*, p. 104.

politicians who were trying to convince the United States Congress to pass the reciprocity agreement. President Taft's statement that reciprocity "would make Canada only an adjunct of the United States" was widely circulated in Canada. The *Philadelphia Farm Journal* wrote that reciprocity "will mean, ultimately, peaceful Annexation. There is no doubt about that." Champ Clark's speech in Congress was even more widely used in Canada. His dream was quite bold: "I am for it [the reciprocity

agreement] because I hope to see the day when the American flag will float over every square foot of the British North American possessions, clear to the North Pole."

The final election results gave Conservatives 134 seats and Liberals 87 seats, with the Conservatives capturing Ontario by 73 to 13 seats. Robert Laird Borden was Canada's new prime minister — thanks largely to the business community in Ontario.

QUESTIONS:

6. Anti-reciprocity forces argued that reciprocity would endanger Canada's connection with Great Britain and would ultimately lead to annexation to the United States. To what extent do you think these were their real motives?
 7. a) Describe the tactics used by the Canadian business community during the election.
b) In your opinion, did the tactics employed by the business community undermine the democratic nature of Canadian society? Give reasons for your opinion.
 8. Write an essay stating what this Case Study reveals to you about the power and influence of pressure groups in Canadian politics.
 9. Write an essay explaining why pressure groups arise and what functions they perform.
 10. Is the existence of pressure groups in Canada inevitable? Explain your view.
 11. Would Canadians as a whole be better off if political pressure groups were forbidden? Explain.
-

THE WORLD'S POLITICAL SYSTEMS: AUTHORITARIAN FORMS OF GOVERNMENT

Just as there are different types and degrees of democracy, there are also different versions of authoritarian states. Some authoritarian states are ruled by an authoritarian "father figure" who allows a broad range of opposing viewpoints to be ex-

THE "GREAT MAN" THEORY

Most authoritarian regimes are based on the belief that a small elite is better able to operate the country than is the majority of the people. In the nineteenth century, Thomas Carlyle claimed that perfect government demanded rule by a "great man." Carlyle was a conservative writer who detested democracy because it threatened to change the stratified social and economic order he so admired in Great Britain, and substitute for it rule by the "mediocre

masses." According to Carlyle

the history of what man has accomplished in this world, is at bottom the history of the Great Men who have worked here. They were the leaders of men, these great ones; the modellers, patterners, and in a wide sense creators of whatever the general mass of men contrived to do or to attain.¹

By the beginning of the twentieth century, such ideas had become popular, especially as presented by the German philosopher, Friedrich Nietzsche. Nietzsche called for a new society in which the "noble man" would be free to follow his own rules and create his own destiny. Although democracy created equality for everyone, it crushed the spirit of superior people for the sake of the mediocre. In Nietzsche's estimation, this was a disaster because it was the superior person alone who achieved anything worthwhile. Such views were restated and put into practice by Adolf Hitler, who claimed:

In all ages it was not democracy that created values, it was individuals. However, it was always democracy that ruined and destroyed individuality. It is madness to think and criminal to proclaim that a majority can suddenly replace the accomplishment of a man of genius. . . . Every people must see in its most capable men the greatest national value, for this is the most lasting value there is. . . . The will of the nation . . . is of most use when its most capable minds are brought forth.

They form the representative leaders of a nation, they alone can be the pride of a nation — certainly never the parliamentary politician who is the product of the ballot box and thinks only in terms of votes. . . .²

By 1933, Hitler had become chancellor of the German parliamentary democracy, and had begun to transform it into the most powerful totalitarian dictatorship of the twentieth century.

DICTATORSHIP

The idea that government should be turned over to a person of superior strength and ability is very old. In ancient Egypt (about 3000 B.C.), a single king or pharaoh conquered a number of smaller territories that had been ruled by nobles, and united the country under his absolute rule. Each new pharaoh was believed to be a god, and his power was symbolized in the massive tomb that was built to house his body when he died. Such non-democratic regimes, dominated by powerful individuals, typified government in the ancient world. The democracy of Athens was the exception.

In sixteenth-century Europe, the theory of the divine right of kings evolved to counter the view that political power belonged with the people. The divine right of kings meant simply that monarchs were appointed by God, and their subjects were therefore duty-bound to obey them. The monarch was accountable to God, not to his subjects. Because royal succession was hereditary, God's will was manifested in the birth of the new monarch.

It was only in the nineteenth century that

¹Thomas Carlyle, *On Heroes, Hero-Worship and the Heroes in History*, quoted in T. Hoy (ed.), *Politics and Power: Who Should Rule?*, New York: G.P. Putnam's Sons, 1968, p. 161.

²Quoted in T. Hoy (ed.), *Politics and Power: Who Should Rule?*, New York: Putnam's, 1968, pp. 254-255.

democracies became more popular in western Europe. In the 1920s and 1930s, however, some of these democracies were transformed into dictatorships as their citizens tried to cope with the economic collapse and political instability that arose from the First World War and the Great Depression. Spain, Italy, Germany, and a number of Latin American countries turned to dictatorial forms of government. And in Russia, the "dictatorship of the proletariat" became the dictatorship of Joseph Stalin.

Unlike most pharaohs and kings of ancient times, dictators were not selected because of their blood relationship to previous rulers. Originally, the position of dictator was created in ancient Rome to deal with emergencies. If the republic was threatened with invasion or any other emergency that could not be dealt with by regular authorities, one man of outstanding ability was appointed with absolute powers to take over and command the republic until the crisis was over. A dictator in ancient Rome held his position only until the crisis was solved, at which time his power was returned to the republic. In modern times, however, dictators are usually unwilling to relinquish their powers voluntarily.

In the sixteenth century, Niccolo Machiavelli observed the actions of the various princes and despots who dominated the small city states of Italy. Based on his constant observations of their intrigues, he described how a ruler should conduct his affairs in order to maintain and increase his power. Dictators in the twentieth century have acted in much the same way. Machiavelli wrote:

A man who wishes to make a profession of goodness in everything must necessarily come to grief among so many who are not good. Therefore it is necessary for a prince, who wishes to maintain himself, to learn how not to be

good and to use this knowledge and not use it, according to the necessity of the case. . . . A prince, then, should have no other thought or object so much at heart . . . as the art of war and the organization and discipline of his army; for that is the only art that is expected of him who commands. And such is its power, that it not only maintains in their position those who were born princes, but it often enables men born in private station to achieve the rank of princes. . . . This then gives rise to the question "whether it be better to be beloved than feared, or to be feared than beloved." It will naturally be answered that it would be desirable to be both the one and the other; but as it is difficult to be both at the same time, it is much more safe to be feared than to be loved, when you have to choose between the two. . . . It must be evident to everyone that it is more praiseworthy for a prince always to maintain good faith, and practice integrity rather than craft and deceit. And yet the experience of our own times has shown that those princes have achieved great things who made small account of good faith, and who understood by cunning to circumvent the intelligence of others; and that in the end they got the better of those whose actions were dictated by loyalty and good faith. . . . A sagacious prince then cannot and should not fulfill his pledges when their observance is contrary to his interests, and when the causes that induced him to pledge his faith no longer exist. If men were all good, then indeed this precept would be bad; but as men are naturally bad,

and will not observe their faith toward you, you must in the same way not observe yours to them; and no prince ever yet lacked legitimate reasons with which to color his want of good faith. . . . And therefore it is necessary that he should have a versatile mind, capable of changing readily, according as the winds and changes

of fortune bid him; and, as has been said above, not to swerve from the good if possible, but to know how to resort to evil if necessity demands it.³

³Niccolo Machiavelli, *The Prince*, New York: Airmont Publishing Co., 1965, pp. 72, 81-82, 85, 86-87.

According to Machiavelli, a leader should "know how to resort to evil if necessity demands it." This photo shows Joseph Stalin, leader of the USSR from the 1920s to the early 1950s. He has been charged with the responsibility for thousands of deaths during the 1920s and 1930s. It was suggested at the time that his actions were necessary in order that Russia might become a modern industrial state. On the basis of further research, analyse his career and the issues raised by it. Would Machiavelli have approved of Stalin? Do you? Explain. Miller Services



QUESTIONS:

1. a) Why do you think non-democratic governments have been so pervasive in world history?
- b) What advantages might they have over democratic regimes?
2. a) Do great men and women change history, or do they simply reflect the dominant ideas of their society?
- b) Evaluate the "great man" thesis of Carlyle, Nietzsche, and Hitler.
3. a) Re-read the views of Hobbes, Locke, and Rousseau in Chapter 1 and compare their

views of human nature with that of Machiavelli.

- b) Explain how Machiavelli's view of human nature influenced his advice.
- c) Would his advice be useful to a democratically-elected leader? Explain.

RESEARCH QUESTIONS:

- 4. Research and evaluate the political system in either Sparta, Greece; Louis XIV's France; or the Russia of Peter the Great.
 - 5. Divide into small groups. Devise a non-democratic system which will ensure, as much as possible, that the state will be run fairly and effectively. Include provisions for succession. Present your system to the rest of the class. You might consult either Plato's *Republic* or Thomas More's *Utopia* for examples.
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TOTALITARIAN IDEOLOGIES

The ability of dictators to hold power in the twentieth century has been aided by the rise of totalitarianism. Fascist Italy, Nazi Germany and Stalinist Russia are striking examples of this phenomenon. What made these regimes unique in contrast to earlier forms of non-democratic government was the *degree of control* exercised by the government over the citizenry.⁴ Totalitarian regimes strive for total control over all aspects of human life. Advances made in communications during the nineteenth and twentieth centuries enable the state to control almost all access to information, and government monopoly of communications makes possible the systematic indoctrination of people. Propaganda enables leaders to strengthen their hold on the state, limit opposition, promote mass solidarity, and prepare for war. Special attention is devoted to the young, for if the system is to endure, its ideology and methods must be passed on to future leaders.

A second difference between early dictatorships and modern-day totalitarian dictatorships is the emphasis of the latter on

ideology and the restructuring of society. Earlier non-democratic leaders were usually content to maintain the status quo. As long as their authority and desires were not threatened, dictators generally let the people do and think what they wished. The more recent totalitarian leaders, however, had a distinct ideology — a set of beliefs about human nature, society, and the ideal state. Hitler believed in the superiority of the German, or Aryan, race; and the communists talk of class struggle. To achieve the ultimate goal, the regime had to educate citizens in the dominant ideology, which meant that all aspects of life had to be reshaped and society completely changed.

To succeed in their aims, totalitarian leaders needed to generate mass support for their objectives, and they could not do this if competing political ideologies existed. This usually meant that the state was run by a single leader at the head of a party consisting of no more than 10 percent of the total population. Since this elite was said to possess the truth, opposing political parties were considered unnecessary and undesirable. The party or leader was thought to be the vanguard of the nation, acting in its interests.

Given this emphasis on total control, it should come as no surprise that totalitarian regimes regulated the economy in order to achieve state aims. Although the Soviet Union has exerted greater control than any

⁴A more detailed outline of communist ideology, Italian fascism and German nazism is presented in Case Studies 7, 9 and 10, respectively.

other state over its economic system in the form of state ownership of the means of production, the Fascists and the Nazis also revamped the economy to suit their needs.

To preserve their power, totalitarian leaders turned to terror and violence. Concentration camps and secret police exerted physical and psychological control over the populace and helped promote conformity to the regime's directives. In Nazi Germany, the Brownshirts (SA), the Gestapo (the state secret police), and the SS (elite guards) performed these functions. In the Soviet Union, it has been the MGB (Ministry of State Security) and the KGB (Committee for State Security).

The following account describes the use and purpose of terror in modern Chile (a right-wing but not, strictly speaking, totalitarian regime). Between 1970 and 1973, Chile was ruled by a democratically-elected socialist government headed by President Salvador Allende. In 1973, the Allende government was overthrown by the military, led by General Augusto Pinochet. The military leaders immediately employed harsh measures to ensure their dominance; within the first year, approximately 60 000 people were arrested and held for at least twenty-four hours. An international commission investigated this situation and reported that

The original mass arrests were directed not only against persons suspected of having illegal possession of arms, but against all who were believed to hold left-wing views, including members of the deposed government, political party leaders, leaders of trade unions, of the urban and rural poor and of students, as well as outstanding journalists, artists or intellectuals. Many other people of no particular importance or influence were arrested through denunciation or as a result of "military operations," i.e.

search and arrest operations aimed at ensuring complete control by the military authorities. . . .

Methods of torture employed have included electric shock, blows, beatings, burning with acid or cigarettes, prolonged standing, prolonged hooding and isolation in solitary confinement, extraction of nails, . . . immersion in water, hanging, simulated executions, insults, threats, and compelling attendance at the torture of others. A number of people have died under torture and others have suffered permanent mental and nervous disabilities. . . .

The object of the torture appears to be three-fold: to obtain "confessions" to serve as the basis for subsequent prosecution; to obtain information about associates and activities; and to intimidate both the victim, his associates, and the public in general.⁵

Differences Between Totalitarian Regimes

It would be a mistake to equate Stalin's Russia directly with Nazi Germany. It is true that both regimes, as mass movements based upon one-party states, attempted to exert total control over their populaces, often through police terror. Both possessed definite ideologies, yet it is their ideologies that separated them. Fascism and nazism are basically *irrational*. They reject the use of science and reason to solve social problems, and rely instead on myths, emotions, and hate, to manipulate people. Their basic assumption is that humans are not rational

⁵International Commission of Jurists, *Final Report of the Mission to Chile, to Study the Legal System and the Protection of Human Rights*, April 1974, pp. 19-20, 24-25.

beings. Communists, on the other hand, believe in human rationality and attempt to reduce their ideology to a science. Whereas class struggle and the victory of the proletariat (working class) dominate the ideas of communism, the concepts of race and national pride are uppermost to the Nazis and fascists. In theory, communism is supposed to embrace the whole world — not just one nation or race. Finally, fascism based its appeal on anti-communism and strove to destroy all communist organizations.

The Origins of Totalitarianism

The rise of totalitarianism is often explained by the *crisis theory*.⁶ This theory states that conditions of acute distress, such as war and economic depression, can cause such intense feelings of insecurity, frustration, and resentment that people turn to drastic political solutions. If the old order cannot adequately cope with the people's anxieties, totalitarianism, with its emphasis on action, charismatic and commanding leaders, and the promise of glory, provides an almost irresistible attraction. There is evidence that appears to support this theory. Mussolini succeeded in Italy (in 1922) when the nation was on the brink of a civil war brought on by social, economic, and political unrest. In Germany, Hitler's victory (in 1933) came during the depths of the Great Depression.

Yet not all nations have sought to escape from their problems by turning to totalitarianism. What determines why some countries are less immune than others to the lure of totalitarianism? There is no universal agreement. It has been suggested that a crisis must be coupled with a social climate which is conducive to totalitarian

thought. Political sociologist Seymour M. Lipset has identified fascist appeal with the middle classes and communist appeal with the lower economic classes. According to Lipset, the average follower of Hitler in 1932 "was a middle-class self-employed Protestant who lived either on a farm or in a small community, and who [was] previously . . . strongly opposed to the power and influence of big business and big labor." Isolated and insecure, they were driven by their anxiety to nazism, which promised security and renewed national glories.

Lipset discovered that the lower classes had a basic predisposition toward authoritarianism and totalitarian values. Their lack of education, Lipset believed, prepared them for action rather than words, and toward simple, uncomplicated answers. Since the lower classes also earned scanty wages, they were discontented and more likely to blame their problems on others (the capitalists in Russia and the Jews in Germany). It has also been argued that the family lifestyle in lower-class homes is often characterized by frustration and friction. These tensions produce authoritarian parent-child relationships, further predisposing that class to totalitarian appeals.

Psychologist T.W. Adorno has identified a personality type that he believes is susceptible to totalitarian values. Authoritarian parent-child relationships, he states, tend to produce adults who blame others for their misfortunes, become dependent upon others for strength, and look down upon those people whom they consider beneath them. This *authoritarian personality* is characterized by stereotyped thinking, conformism, contentment with superficial explanations, an idealization of power and strength, a desire to punish evil, and a tendency to see people in black and white terms. Such people are prime candidates for the lures of totalitarianism.

It has also been argued that the origins of totalitarianism lie in the modern, industrial,

⁶The following examination of totalitarianism was derived largely from Reo. M. Christenson et al., *Ideologies and Modern Politics*, New York: Harper and Row, 1981, Chapters 3, 4.



urban society that tends to create personal isolationism and a feeling of powerlessness. For some people, this impersonal and confusing society is deeply alienating, and many are driven to seek refuge in the more secure environment promised by totalitarian leaders. According to psychologist Erich Fromm, this feeling of alienation causes some people to recoil from the responsibilities of freedom, and makes them yearn for the control of a strong leader who will give direction to their lives and rescue them from their feelings of helplessness and uncertainty. "The principal social avenues of escape in our time," Fromm wrote, "are the submission to a leader, as has happened in fascist countries, and the compulsive conforming as is prevalent in our own democracy."

Totalitarianism did not die with Hitler and Mussolini. Aspects of totalitarian control are evident in a number of communist and third world countries. Totalitarian methods of control are advocated by the small Nazi parties in Canada and the United States, as well as by the Ku Klux Klan. So long as severe economic and social problems continue, we shall have to confront the possibility of totalitarianism.

Mao Tse-Tung, the leader of Chinese communism, addresses students at Yen-an in 1937. To what extent do all political systems stress the need to educate young people in the dominant political ideology?

China Reconstructs

QUESTIONS:

6. a) Explain why totalitarian states attempt to dictate musical tastes, architectural styles, and literary themes.
- b) Discuss the importance of physical repression in the maintenance of political power.
7. What features of modern life might make a person feel isolated and powerless?

8. Which of the following theories best explain the origins of totalitarianism: the *crisis theory*; the ideas of S.M. Lipset; the theories of T.W. Adorno; or the writings of Erich Fromm? Explain.
9. Outline a hypothetical situation in which many Canadians might advocate an authoritarian government.

RESEARCH QUESTIONS:

10. Prepare for a debate on one of the following topics:
 - a) Most people prefer to be told what to do rather than to assume responsibility for their own decisions.
 - b) The parent-child relationship is the most important factor in determining the child's basic personality. Authoritarian parents create authoritarian children.
 - c) Lower classes are predisposed to authoritarian values.
 11.
 - a) Write an essay that deals only with the advantages of authoritarian government.
 - b) Criticize your essay from the viewpoint of a supporter of democracy.
-

THE GOVERNMENT OF THE UNION
OF SOVIET SOCIALIST REPUBLICS

In theory, the USSR is a constitutional democracy. A bill of rights guarantees freedom of speech, association, religion, organization, and freedom of the press. It also promises freedom from arbitrary arrest and equality between the sexes. Discrimination is forbidden and everyone is granted the right to employment, education, leisure

If there is no agency to enforce individual freedoms, why are they included in the constitution? Those favourably disposed to the USSR explain that these freedoms are merely expressions of policy and indicate the Soviet Union's ultimate goal or ideal. Others cynically maintain that the constitution was designed to serve merely as a useful shop-window both at home and abroad. The Russian constitution, they argue, is a façade designed to cloak the dictatorial powers wielded behind the scenes by the Communist party.

THE COMMUNIST PARTY

The most powerful organization in the USSR is the Communist party. To understand the function and organization of the Communist party it is essential to remember that its purpose is quite different from that of North American political parties. Because there is only one party in the Soviet Union, the Communist party is not organized around the need to win elections. The party is the custodian of the "true" doctrine of communism and is therefore considered the only body capable of interpreting and applying this doctrine to modern conditions. It is the vanguard of the nation, an elite group with an almost inherent right to guide and direct the Soviet people. The Communist party is thus re-

sponsible for supplying leaders for almost every organization in the country; providing economic and political guidelines for the nation; mobilizing the people to fulfill party directions; and for public indoctrination.

Although membership in the party is restricted, approximately 20 percent of those over eighteen years of age are Communist party members. This number does not include those on probation or those who would like to join, but it does include members who joined the party merely to further their careers. Members must accept the right of the Communist party to make basic decisions affecting their lives. Individual registration cards are kept on file, and the party can dictate what kind of work every person must do and where they will

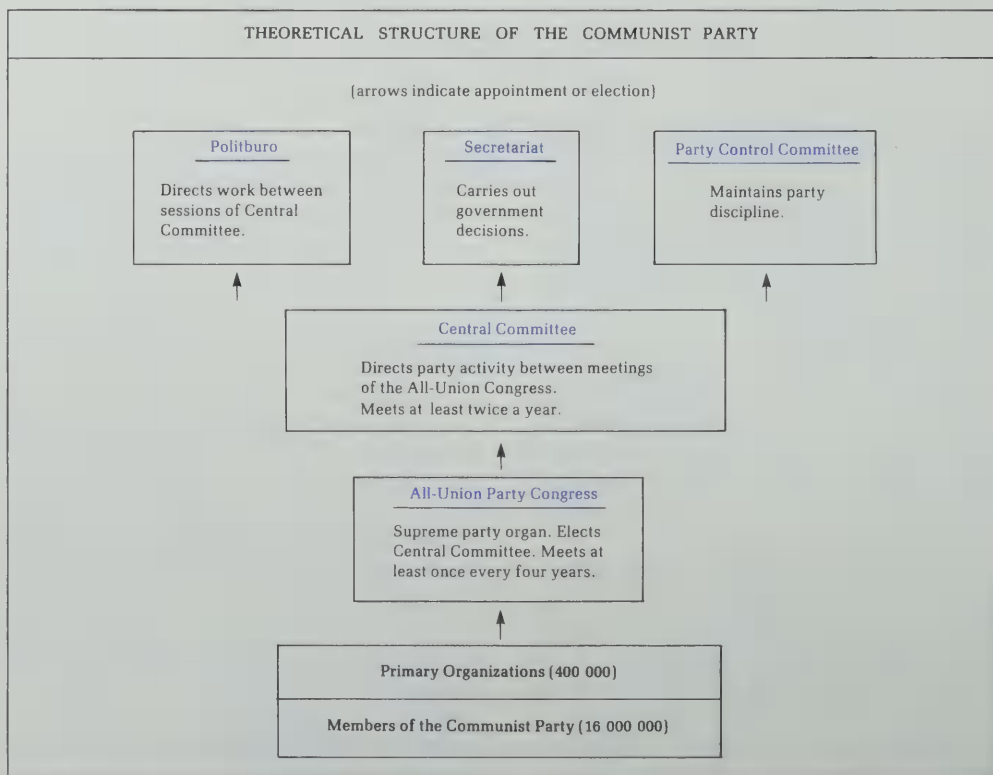


Fig. 2-1

live. Members are expected to adhere to strict rules of personal conduct and can be expelled for disobedience. Each year, tens of thousands of members are dropped from the party lists, yet the prestige and privileges that go with party membership serve to encourage recruits and maintain the system.

The Communist party comprises an educated elite: factory directors are all party members; most judges, attorneys, and high-ranking security police belong; all newspaper editors, the great majority

of journalists, 40 percent of all engineers, and one-half of the nation's scholars are members. However, very few women, farmers, or non-Slavs (such as Estonians and Latvians) hold high positions within the party.

Theory Versus Reality

The theoretical structure of the Communist party is different from the actual practice. Figures 2-1 and 2-2 illustrate these differences.

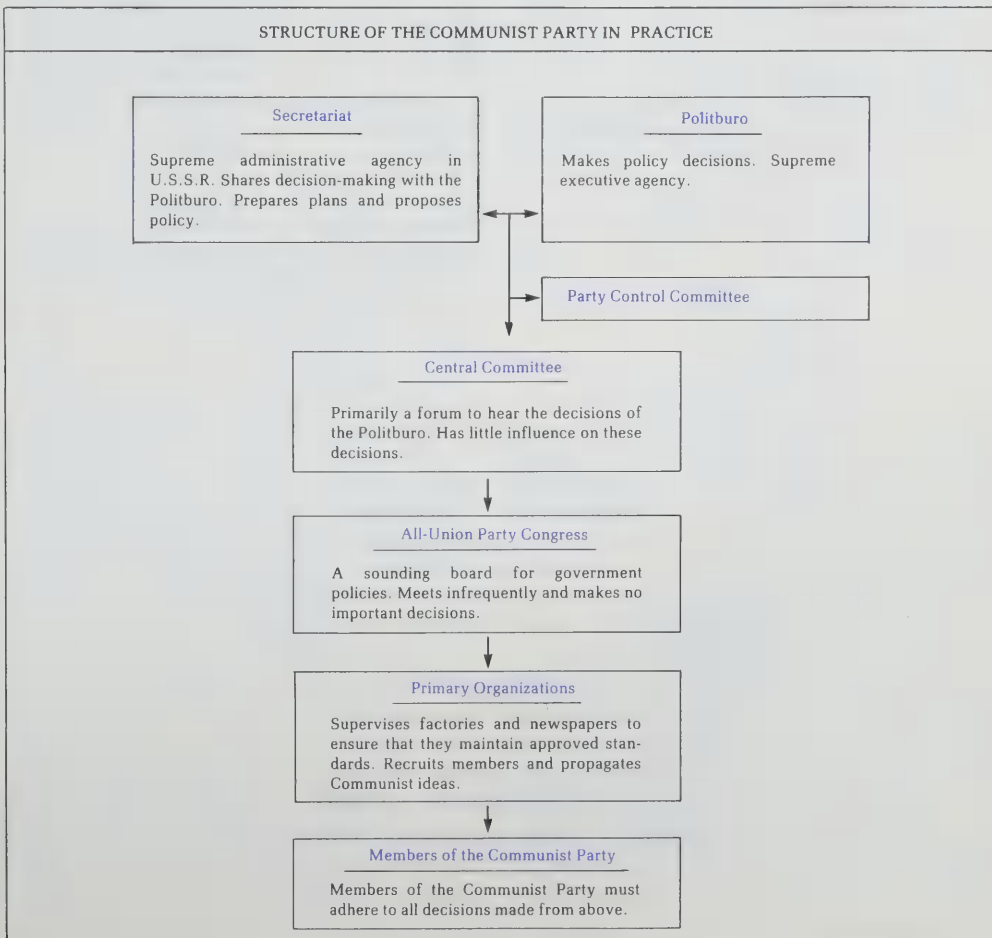


Fig. 2-2

Party policies are directed by a small group of leaders in the Politburo and the Secretariat. The Politburo consists of approximately fifteen members and is presided over by the general secretary. It is the supreme policy-making body in the nation, and its deliberations are always kept secret. The Secretariat is responsible for the day-to-day administration of the vast party bureaucracy. It supervises the entire party network by controlling all major appointments both within and outside the Communist party. The Secretariat is *also* headed by the general secretary, who is usually the most powerful leader in the USSR. (Past secretaries include Joseph Stalin and Nikita Khrushchev.)

The party is the major avenue for the expression of different viewpoints within the Soviet Union. Competing groups within the

party push for specific policies and programs and attempt to gain the ear of the top leadership. Major policy shifts in the USSR are usually accompanied by a change in the party leadership as officials compete among themselves for political control of the party.

The Government Structure

The USSR has a federal system of government which in theory is similar to Canada's. In practice, however, different regions have very few actual powers, and serve more as administrative units than as separate states or provinces. The national legislature also reflects the difference between theory and reality in the Soviet Union. Figure 2-3 illustrates the theoretical structure.

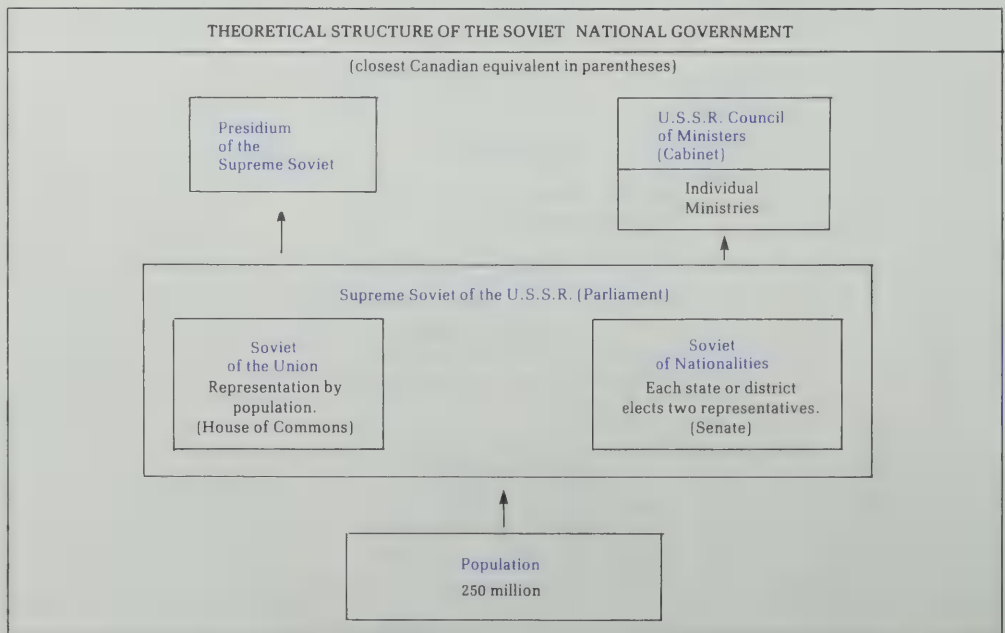


Fig. 2-3

QUESTIONS:

1. What is the major difference between Figures 2-1 and 2-2?
2. Which is more democratic in form, and why?
3. Explain why you think the theory and practice of communism vary so greatly.
4. Based upon your knowledge of the differences between the theoretical and practical structure of the Communist party, draw a diagram showing how you think the national government operates in practice.

The constitution vests the Supreme Soviet of the USSR (Parliament) with the "exclusive" power of legislation. However, since it seldom meets more than twice a year, and then only for a few days, it follows that the real policy-making is done elsewhere. The delegates to the Supreme Soviet merely listen to and applaud the statements made by the leaders of the Presidium which are then faithfully reported at great length in the national media. Their real function is *not* to keep a careful check on the executive (which is the function of the Canadian Parliament), but to spread its messages. In this way the government's pronouncements are publicized.

The party and the government form two separate, parallel organizations. In the final analysis, however, the government is an agency of the party which sets the major policies for the nation. The Council of Ministers, for instance, holds governmental authority between sessions of the Supreme Soviet, but since the members of the Council are chosen by the Communist party rather than by the Supreme Soviet, the Council of Ministers is responsible to the party and not to the Supreme Soviet or the electorate.

The Presidium and the Council of Ministers combine with the Politburo and the Secretariat of the Communist party to run the country. The general secretary is a member of the Presidium, as are several

other important party leaders. The chairman of the Council of Ministers (sometimes called prime minister) shares supreme power with the general secretary. Sometimes, as was the case with Stalin and Khrushchev, one man may hold both offices simultaneously. In this way, the Council of Ministers is closely integrated with the leaders of the Communist party who make the major decisions.

The division of responsibilities among the Council of Ministers, the Presidium, and the Secretariat, is not clearly outlined and there is a great deal of overlapping membership on these three bodies. Some men sit on all three simultaneously and are able to determine the destinies of both party and government.

The Soviet government is thus designed to allow a small group of people to control the direction of the nation. There is virtually no opposition from below. Elections in the Soviet Union are therefore ritualistic — they are not intended to give people a meaningful choice between various policies and leaders. When the Soviet people go to the polls, they are told to put an "X" through every name on the secret ballot except for the person they support. As there is seldom more than one name on the ballot, there is no real choice. Even in local elections, 60 percent of the candidates are nominated by the Communist party.

Despite the fact that election results are a foregone conclusion, the party conducts

a rigorous campaign to ensure a high turnout of voters. Invalids are transported to the polling booths; party leaders make frequent speeches; party workers distribute pamphlets and canvass door-to-door. As a result, the Soviet Union can boast of a 99.8 percent turnout. Elections are designed to

rally the people, demonstrate their unity, involve them in the system, and publicize government achievements. They also provide the illusion that the citizens are involved in the government; this allows the Soviet Union to use elections for propaganda purposes.

QUESTIONS:

5. Evaluate the justifications for a one-party government.
6. Explain the major differences between the Communist party of the USSR and the Canadian party system.
7. Make a list of the advantages and disadvantages of the Soviet government.
8. On the basis of the information in this Case Study, how would you answer the following:
 - a) Who makes the decisions in the government of the USSR?
 - b) How are these decisions made?
 - c) What appear to be the basic values and assumptions of this system of government?

RESEARCH QUESTIONS:

9. Using the problem-solving techniques outlined in Unit One, write an essay explaining how (and how well) the Soviet system solves the question of leadership. See: Myron Rush, *Political Succession in the USSR*, New York: Columbia University Press, 1965; M. Tatu, *Power in the Kremlin*, New York: Viking Press, 1969; R.W. Shryrock, *The Fall of Khrushchev*.
 10. Research the governmental system of another communist nation and compare it to the USSR. For Cuba see: T. Draper, *Castroism, Theory and Practice*, Praeger, 1965; or Edward Gonzalez, *Cuba Under Castro*, Boston: Houghton Mifflin, 1974. For Czechoslovakia see: Z. Zeman, *Prague Spring*, New York: Hill & Wang, 1969; or H.G. Skilling, *Czechoslovakia's Interrupted Revolution*, Princeton University Press, 1976. For Poland see: John Oakes, *The Edge of Freedom*, New York: Harper, 1961; or Jon De Weydenthal, *The Communism of Poland*, Stanford: Hoover Institution Press, 1978.
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THE AUTHORITARIAN STATE IN BISMARCKIAN GERMANY, 1871-1890

Nor do authoritarian governments necessarily have to use violence to rule the state. The best method of retaining power is to give the people what they want. In this historical Case Study we will examine how one authoritarian regime exercised

THE SECOND EMPIRE

101



Superior artillery was one of the keys to Prussia's success over France. Here, Prussian artillery is being tested in the period just before the war with France.

Historical Picture Service

ment its policies without resorting to extra-legal tactics. In pre-World War I Germany, basic privileges such as the sanctity of person and property, the right to vote, and freedom of speech, could not be suspended without due process of law or formal agreement by Parliament. The Second Empire even introduced the world's first effective and comprehensive social welfare system covering the entire population, regardless of class, region, occupation, or religious belief.

Germany's Background

Before discussing the dynamics of this remarkable system, we must briefly explore Germany's past. Until 1871, the people never had a unified German state of their own. After the Thirty Years' War (1618–48), the victorious French divided

Germany into as many as 1400 different sovereign kingdoms, duchies, counties, municipalities, dioceses, and knightly domains. By 1815, the number of German political units was reduced to "only" thirty-eight; these were dominated by Austria and Prussia, the two leading German states. In 1866, Prussia defeated Austria in a war designed to eliminate Austria as a rival. In still another contrived war in 1870–1871, Prussia vanquished France, the continent's mightiest power. With France out of the way as a deterrent force, Prussia proceeded to unify all the German states (now twenty-five), except Austria. The Second German Empire was now a reality, but it had been conceived, born, and delivered in "blood and iron."

The architect of these devious but brilliantly effective diplomatic and military ploys was Prince Otto von Bismarck (1815–

1898). Bismarck is considered one of the great statesmen of the nineteenth century. Known as the "Iron Chancellor," he dominated the German, European, and world scene for nearly three decades. Bismarck had but three ambitions in life: to ensure Germany's security from aggression; to consolidate the Hohenzollern (William I) dynasty's hold on Germany; and to ensure the supremacy of such conservative elements in German society as nobles and members of the upper-middle classes. Bismarck's social background determined his attitudes: born to a noble father and bourgeois mother on a large north German estate, he had the rigid, conservative upbringing of a landed aristocrat. He entered politics at an early age, and distinguished himself in several important diplomatic posts before assuming the minister-presidency of Prussia in 1862 under King (later Emperor) William I. He became the chancellor of the Second Empire in 1871, until his dismissal by William II in 1890.

Bismarck's success stemmed from his pragmatism; as one historian has commented, he despised every type of ideology, be it Christian humanitarianism, orthodox conservatism, Marxian socialism, liberalism, and even nationalism. He believed that God operated through power politics, and that statesmen should not act according to abstract principles, but rather in line with realities. For Bismarck, state interest alone determined policy. The word *Realpolitik*, or a policy of opportunism, best defines his aims and methods.

Bullying twenty-five sovereign states into unification was not an easy task — it was even more difficult to transform these states into a homogeneous German nation-state. Let us examine what types of "raw material" Bismarck had at his disposal in fashioning a new country in the heart of central Europe.

Germany was strategically located, with

mountain ranges containing ample mineral reserves, fruitful plains, and numerous navigable rivers. But the country was easy to invade and difficult to defend; consequently, copious human and material resources would have to be earmarked for national defense. Germany may have had excellent natural resources, but their distribution created social and economic divisions. Most of the good farmland lay in the east, while industry, mining, and commerce were concentrated in Germany's western corner. The east was dominated by powerful agricultural lords who maintained a rigid class society, whereas the west resembled more egalitarian western European countries such as France.



Prince Otto von Bismarck.

Miller Services

Germany generally had an ethnically homogeneous population, but the many different dialects among the lower classes made for great social and cultural diffusion. (The upper classes all spoke a standard, cultivated German.) To complicate matters even further, the newly-created Germany contained a large minority of non-Germans, mostly Poles, who lived in the militarily vulnerable eastern regions bordering Slavic Russia. This robbed the country not only of its ethnic unity, but also of its security.

All of Germany's inhabitants were Christians (with the exception of a small Jewish population). About one-third of the total were Roman Catholics, the majority of whom resided adjacent to Germany's Catholic neighbours (Austria, France, and Belgium). The Roman Catholics in the eastern part of Germany were Poles, whom Protestant Germans disliked both for being Catholics and Polish, and for endangering the military security of the German nation. This was another problem Bismarck would have to solve.

The insecurities caused by these conditions may explain why Bismarck encountered so little opposition when he chose an authoritarian model instead of participatory democracy to govern the new German state. Bismarck argued that what Germans needed was a strong centralized government able to make instant decisions to counter external perils. In this regard, he drew on German traditions: ancient Germanic tribes elected a leader for life and blindly obeyed his every command; in the sixteenth century, Martin Luther, the father of Protestantism, urged Germans to obey their rulers, whom he considered divinely appointed, regardless of their merit; more recently, Frederick the Great of Prussia (1740-1786) had successfully defended his small state against a coalition of major European powers in the Seven Years' War (1756-1763) by maintaining rigid authoritarianism. Thus, Bismarck merely perpetuated the well-established

and honoured German tradition of investing government authority with unlimited power. Indeed, Bismarck told the German people plainly that the Reich was a creation of Germany's dynastic houses, and that the Second Empire would not tolerate any notions of popular sovereignty.

As we have discovered, Germany was far less homogeneous than casual scrutiny would suggest. We can therefore appreciate the magnitude of the problem confronting Bismarck in fashioning Germany's disparate social and economic portions into a viable nation. Fortunately, Bismarck enjoyed the total confidence of Emperor William I. Both men realized that Germany's new government would have to minimize these problems. This would require the creation of a powerful executive branch, one that would demand "obedience to the proper authority." Phrased somewhat more bluntly, in order to survive in a hostile world, the Second Empire would have to establish an authoritarian government. At the same time, however, Bismarck also craved the respect and admiration of western European constitutional countries with their deep-seated traditions of encouraging dissent. For centuries, Germans had been labelled barbarians for tending blindly to obey authority. Germany must not only be strong, but must seem progressive and non-despotic. Bismarck believed that he had but one rational choice: he must create a seemingly democratic structure that would attract favourable western European comments, but would still control all major domestic and foreign policy decisions from the top. Let us see how Bismarck navigated the German ship of state through these two difficult and contradictory passages.

The Political Structure of Bismarckian Germany

Sovereignty over the empire as a whole rested with the monarchs of the twenty-

two states (kings, dukes, and princes) and the senates of the three free cities. The states enjoyed considerable autonomy: two were permitted their own postal systems; one owned its armed forces in peacetime; and citizens carried passports issued by the individual states. But these privileges were merely cosmetic devices and had no practical significance. The king of Prussia presided over the new confederation as German emperor and appointed the imperial chancellor. He was also commander-in-chief of the German armed forces in time of war, and had veto power over legislation. Unlike genuine parliamentary monarchies, in authoritarian Germany, the chancellor with his cabinet was responsible not to the people through an elected body, but to the emperor. Consequently, the major concession to constitutionalism, the *Reichstag* (lower house) had only limited power. Its unpaid members were elected by secret ballot through universal and equal suffrage for males over twenty-five, but it was denied direct control over the operation of the government. Unlike the British or Canadian systems in which the prime minister (chancellor) is the leader of the largest party or parties, in the House of Commons (*Reichstag*), the emperor chose whomever he wanted as chancellor. The *Reichstag* could also not remove the cabinet by a vote of non-confidence as is possible under responsible government, but was to remain in power as long as it had the emperor's confidence.

Because the chancellor's constitutional powers were only vaguely defined, his effectiveness would cease if he lost the emperor's confidence — indeed, this became the cause of Bismarck's eventual downfall. Under the admiring William I, Bismarck could plan and execute policy without restraint, but William II, who detested both Bismarck's methods and objectives, promptly dismissed the aging chancellor and, with the aid of token chancellors, assumed the task of governing.

In view of these constitutional provisions (which a contemporary socialist leader derisively termed "the fig-leaf of absolutism"), German democracy, in the western European meaning of the term, had no chance of evolving. Indeed, this semi-authoritarian arrangement suited Bismarck's designs perfectly. With the support of the ultra-conservative William I, and of the equally hidebound *Bundesrat* (upper chamber), which was totally dominated by Prussia, Bismarck effortlessly manipulated his desired legislation into law in the teeth of all opposition.

Despite these obvious limitations, the *Reichstag* did have a certain amount of clout. For example, its consent was required for any new appropriations. But Bismarck solved this problem by manipulating the *Reichstag* deputies through compromises, political deals, and trickery. Nor did the *Reichstag* enjoy the privilege of initiative — it might amend, delay, or even defeat a piece of legislation, but it had to face the unpleasant prospect of dissolution by the chancellor and a new election. To the casual observer, however, the visible German political system functioned exactly like any other.

The Catholic "Menace"

On the whole, Bismarck dealt with opposition in his own way — ruthlessly. Nothing was to disturb Germany's homogeneity; the influx of alien ideas or loyalties to foreign authorities was anathema to him. No wonder, then, that the two great domestic struggles Bismarck engaged in during his nearly two decades' tenure involved the adherents of two "non-German" ideologies: socialism and Roman Catholicism.

In Bismarck's view, socialism was an alien and dangerous cancer in the German body politic. Socialism taught working people the inevitability of class struggle; it encouraged international world solidarity among the labouring classes, rather than

imparting the notions of patriotism and nationalism; and it repudiated authoritarian government. Thus the socialist program ran counter to Bismarck's deepest convictions and his political philosophy.

Roman Catholics posed a similar problem, because they threatened the religious and national homogeneity of Germany. Bismarck was particularly agitated that the Roman Catholic Church in Prussia, which was entirely Polish, was rapidly "polonising" the German Prussians. But even this was dwarfed by Bismarck's chief concern: he was deeply worried about the dangerous effects which Pope Pius IX's proclamation of infallibility (1870) might have on Germany's Roman Catholics. The new dogma had important results in all countries with sizable Catholic populations, and Germany was no exception. This statement of infallibility, together with the 1864 *Syllabus errorum* (Syllabus of Errors), extended the Pope's jurisdiction in matters of faith and morals to the political arena; it also claimed the complete independence of the church from state controls. In Germany, all the bishops and most of the faithful, both Polish and German, accepted the new dogma with all its implications. Within two months of Germany's unification, German Catholics banded together in the Centre party to defend their interests. Bismarck met these twin challenges to his government's authority with a mixture of honey and vinegar, garbing the political actions of his authoritarian regime in constitutional clothing. Bismarck's first struggle arose with the Catholics, whom he considered by far the most daunting peril to his country's stability. This encounter is known as the *Kulturkampf* (Cultural Struggle). Starting in 1871, official persecution of the church began in Prussia. In the course of that decade, the following events occurred:

1. Half the Roman Catholic bishops were imprisoned for disobeying many of the laws listed below.
2. Over one thousand non-conformist priests were removed, and many of them were replaced by government supporters.
3. The Prussian government's Roman Catholic section in the Ministry of Public Worship was abolished. This was chiefly psychological warfare intended to demoralize Catholics.
4. Catholic teachers in state schools were encouraged to repudiate the new Catholic dogma.
5. An imperial law permitted the expulsion of Jesuits (Society of Jesus) and other Roman Catholic orders. The Jesuit organization was thereupon dissolved and its non-German members expelled from German soil.
6. The May Laws or Falk Laws of 1873 declared that: a) priests may not impose penalties in matters not of a religious character; b) education of the clergy be under state supervision, and the government was to control clerical appointments; c) secession from the church was encouraged and facilitated by the government; d) church regulations were subject to state control.
7. Civil marriage was made obligatory throughout Germany.
8. All Prussian government grants to parishes whose clergy refused to obey Prussian laws were suspended.

All of these laws, regulations, and other actions were introduced within strict constitutional and legal limits, and enjoyed widespread support among the Protestant majority.

The *Kulturkampf* continued in full force until 1878, but with mixed results. It rallied the Protestants to the government's side, but alienated most Catholics. Indeed, the Catholic opposition Centre party actually thrived under persecution, doubling its representation in the face of determined government discrimination.

When the more moderate Pope Leo XII was elected in 1878, Bismarck was quick

to make peace with the church. He even planned to perform an about-face by creating a new political coalition based on the Centre party. This coalition would be designed to combat his other major adversary, the socialists. Bismarck thus gradually introduced an array of measures designed to mollify Catholics. Some repressive laws were repealed and others were permitted to lapse through administrative inaction. By 1883, the *Kulturkampf* was over.

How effective was authoritarianism in checking the alleged Catholic menace? On the positive side, the government demonstrated its determination to be master in its own house against what it considered to be a dangerous alien doctrine. It also rallied most Protestants to the government's side, and welded together an effective Reichstag majority. Greater still was Bismarck's success with the Catholic Centre party, which he pacified and co-opted into supporting the government, even though twice as many anti-Catholic laws were retained as were rescinded. Henceforth, the training of clergy, the school inspection law, compulsory civil marriage, and a ban on foreign Jesuits remained as permanent fixtures of the Second Empire.

On the negative side, Bismarck suffered a moral defeat. The papacy could and did nullify most of Bismarck's manoeuvrings against the Catholic church both at home and abroad, and ultimately forced him to abandon the fight. As one historian has noted, the *Kulturkampf* was "an instructive object lesson in the limits of power even when exercised by a State with the executive strength of Prussia."¹ Moreover, the domestic Catholic opposition fought back. It closed ranks, used counter-propaganda, and embarrassed the government by mobilizing international public opinion on

its own behalf. Bismarck's policies also united German and Polish Roman Catholics, which hurt the cause of national unity and imbued Catholics with a distrust of their government.

The Socialist "Menace"

The socialist problem in the German states began innocuously: in 1863, Ferdinand Lassalle founded a non-Marxian socialist organization that advocated universal suffrage, state aid for co-operative societies, and peaceful ways and means of achieving social justice. These aims and methods fully corresponded with the views of Bismarck, who admired Lassalle and did nothing to obstruct his moderate labour organization. But over the years, the socialists became more demanding and eventually leadership passed to the Marxian socialists.

With the ~~death~~ death of Lassalle in 1864, the moderates gradually departed the socialist camp. By 1869, the Marxians formed the Social Democratic Workingmen's party, devoted to political action. When both the Marxian and non-Marxian labour unions refused to support Prussia's war effort against France in 1870, Bismarck was infuriated — he was the architect of that war — and began to suspect the patriotism of all socialists. In other words, Bismarck considered all these internationalist-minded socialist leaders as "pied pipers" who would rather urge their followers to betray their country by laying down their arms than to fire on fellow workingmen conscripted by the other side.²

Bismarck's anti-socialist campaign began in earnest in May 1878, when a deranged

¹C. Grant Robinson, *Bismarck*, London: 1918, pp. 316–327.

²Future events would prove Bismarck wrong. In 1914, the German socialists — indeed socialists everywhere — were encouraged by their leaders to flock to the colours of their respective countries.

radical (but not a socialist) attempted to assassinate Emperor William I. On that occasion the Reichstag refused to be stampeded into approving the repressive anti-socialist legislation urged by Bismarck. However, the lawmakers' objections melted when, in June 1878, the emperor was seriously wounded in a second assassination attempt, even though the culprit was not a socialist. The Anti-Socialist Law of October 1878 was renewed at regular intervals until 1890, when Bismarck was dismissed by William II. The law, which was designed to repress socialism, prohibited a vast range of "dangerous" activities. The law is reproduced here in English translation:

1. Organizations which through Social Democratic, Socialist, or Communist activities aim to overthrow the established State or social order are hereby forbidden.

The same ban holds for organizations in which Social Democratic, Socialist, or Communist influence appears to be dedicated to the overthrow of the established State or social order, by breach of the public peace and especially by endangering the harmony of the classes.

Such organizations include fraternities of all kinds

3. Independent trade unions (not registered) which, according to their statutes, aim for mutual benefits for their members are, for the time being, not to be banned, but are to be placed under special State control

11. All publications in which Social Democratic, Socialist, or Communist influence appears to be dedicated to the overthrow of the established State or social order by breach of the public peace, especially by endangering the harmony of the classes, are forbidden.

This ban on periodicals extends to all past issues, as soon as, on the basis of this law, one single issue is forbidden

17. Anyone who takes part as a member in a forbidden organization, or anyone who exercises any activity in the interests of such an organization, shall be punished with a fine up to 500 marks or with imprisonment of three months³

Bismarck obviously did not trust the socialists and communists. He feared, for example, that socialist-minded civil servants in strategic jobs such as the railways might imperil Germany's security in wartime by sabotaging the transport of troops. Although the Reichstag passed rigorous measures to provide for the execution of these laws, its members refused to expel the socialist deputies. In the remaining twelve years of Bismarck's tenure, socialism was almost completely driven underground in Germany, but was by no means eliminated.

To demonstrate his good will to Germany's labouring people, as distinct from the German socialist *movement*, which Bismarck called a disease, he introduced social security legislation. Many Germans suspiciously called this "state socialism," but Bismarck insisted that justice to the working classes was nothing more than Christian duty. Indeed, Bismarck was sincerely trying to protect the workers, proclaiming that it was the right and duty of the state to protect their welfare. At a time of growing industrialization and economic depression, these social insurance laws were welcome news indeed for Germany's working classes. It's no wonder that one historian has labelled them "perhaps the

³Das Staatsarchiv, 1878, Vol. 34, No. 6797, p. 45, from L.L. Snyder, *Basic History of Modern Germany*, Van Nostrand, 1957, pp. 131-182.

most constructive series of acts of his [Bismarck's] whole career." Let us next observe the nature and effectiveness of these regulations:

1. The Sickness Insurance Law of 1883, the first of Bismarck's measures of state socialism, was designed to lure workers away from socialism or Marxism. The law insured workers during illness by giving them free medical attention and half pay. Workers paid two-thirds of the costs and employers one-third. Bismarck had wanted the government to defray the entire insurance cost of this and all other schemes, but his parliamentary opposition had balked at this.
2. The Accident Insurance Law, paid for entirely by employers, applied to nearly all wage earners.
3. Old Age pensions set the age of retirement at sixty-five. Contributions were divided equally among employers and employees, and the government contributed to the pension fund when needed.

Bismarck's forced resignation did not terminate the extension of social security legislation. William II greatly favoured the workers, so much so that he became known as the "Labourer Emperor." Yet nothing had fundamentally changed after Bismarck's departure — Bismarck's authoritarianism simply yielded to William II's paternalism. The new emperor introduced more laws to benefit working people, so that by the end of his reign in 1918, Germany boasted the most extensive, progressive, efficient social security system in the world.

But in the long run, state socialism failed to capture workers' loyalty. The outlawed socialists continued to function secretly but effectively, so that in 1890, when the

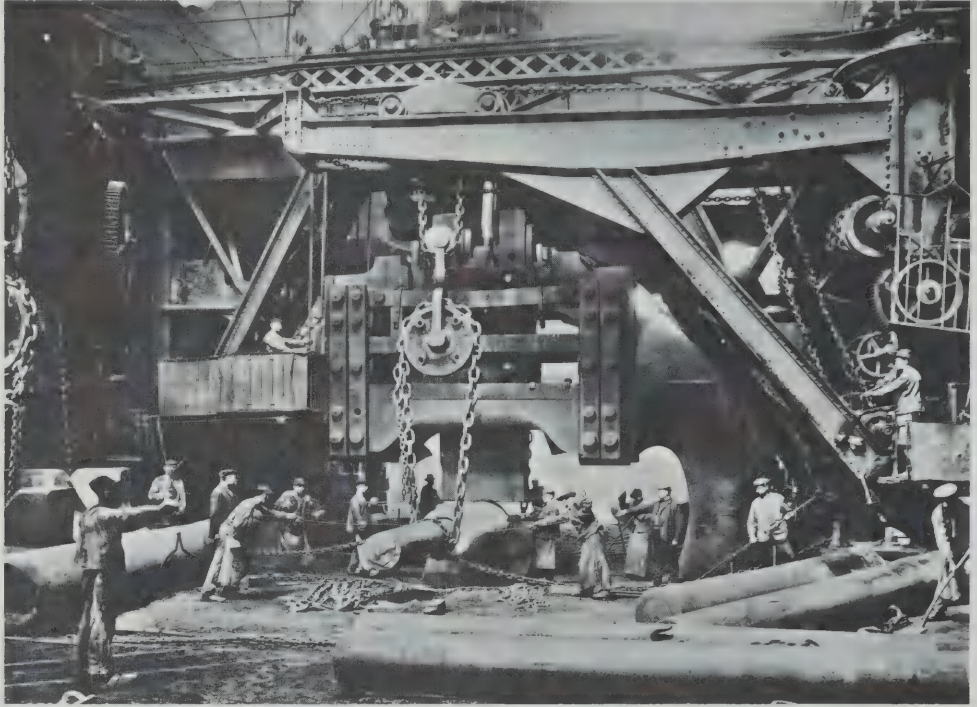
prohibition against them was lifted, they emerged as the strongest party in Germany. Bismarck, not social democracy, had suffered defeat. Obviously, his policy of legal repression against the socialists miscarried, just as it had against the Roman Catholic church.

The Economy

The third dilemma facing Bismarck and the newly-formed Germany involved the direction of the nation's economy. Here too, Bismarck's authoritarianism manifested itself. The chancellor may not have initiated the unprecedented boom already in progress in the German states since the 1850s, but he did everything possible to facilitate the progress of large-scale agriculture and capitalistic business enterprises associated with industrialization and world trade.

In the early nineteenth century, the Germanies were among Europe's most underpopulated and economically backward regions, with most Germans engaged in primitive agricultural pursuits. By the end of the century, however, Germany was an industrial giant, second only to the United States. Economically, the Second Empire eclipsed France in the 1870s, and then Great Britain around 1900. Between 1871 and 1874 alone, over 850 large business corporations were founded with capital assets of four billion marks — an astronomical sum reckoned in today's currency.

What was the source of this unprecedented outburst of economic prosperity, and what role did the state play in expediting it? The key to the German economic miracle (besides an industrious and educated population, excellent deposits of natural resources, and a superb transportation network) was the German banking system. In the United States, a group of industrialists or financiers might own a few banks, but in Germany the situation was reversed. About four or five major banks



The interior of the Krupp foundry at Essen. By the late nineteenth century, the Krupp firm had the largest steel factory in the world, forming part of the foundation of the German industrial "miracle."

Editions Rencontres, Paris

literally owned and directed nearly all German industrial activity by placing their board members into key positions in industrial concerns. In 1875, Bismarck founded the *Reichsbank* (State Bank), which regulated all the other banks. It determined the value of the mark; carefully controlled the lending rate; and decided who should get credit and how much. Although the funding capital came entirely from private individuals, the Reichsbank was a state institution, whose directors were appointed by the emperor. Bismarck, who enjoyed the emperor's confidence, controlled the Reichsbank; through it, he could and did exert pressures on German industrialists who had organized themselves into huge cartels, or monopolies. By 1900, there were about 275 of these mega-businesses in ac-

tive operation. The government made no effort to curb or regulate these business combinations, but they were expected to gear their operations to conform to the national interest whenever the situation demanded it.

Bismarck's other contribution to Germany's economic miracle entailed using the tariff as a means of protecting infant German industries and the large landowners from foreign competition. This was a total reversal of the pattern of free trade policies pursued thus far. The tariff benefited mainly the industrialists, who could not match the expertise of French and British producers, and the owners of large estates, who could not compete with the more efficient farms in the United States and Russia without a boost from their government. Of

course, the urban populations would have to pay more for all commodities, but Bismarck believed that the prosperity generated by these tariffs would more than offset higher consumer prices. To a large extent, his calculations were correct.

Did Bismarck's authoritarian approach stimulate Germany's economic growth, or would the country have prospered equally under democratic rule? We will never know the definitive answer to this question. True, the German people had initiated the economic miracle on their own, decades before unification, but it required the firm touch of a master helmsman such as Bismarck to co-ordinate the varied strands of the German economy, to direct its bursting energies into socially acceptable channels, and to harness the might of this gigantic economic structure in the state's interest. In all these respects, Bis-

marck's authoritarianism succeeded admirably. This was largely because the German people at that time craved order and purpose in their lives; they tended to follow any legally constituted authority which offered them a viable and systematic plan of action with a fair likelihood of success.

This, then, was paternal authoritarianism at its best. The magnitude of the German economic marvel demonstrated conclusively that, notwithstanding a certain degree of opposition at every level of German society, Bismarckian authoritarianism not only created a dynamic new state, it averted the worst evils associated with capitalistic exploitation of the working classes. With all their vaunted features of participatory democracy and freedom, Europe's constitutional powers would not duplicate either Bismarck's economic achievements or his system of social justice until after World War I.

QUESTIONS:

1. a) On the basis of further research, explain the major differences between the Canadian constitution and the Bismarckian constitution.
b) What are the merits and possible demerits of Bismarck's system of government?
2. a) Explain why Bismarck adopted an authoritarian form of government.
b) Why do you think the German people agreed to this political system?
3. Devise another form of government that might have successfully solved Germany's problems in 1871, and explain how it could have done so.
4. a) Discuss the reasons for Bismarck's distrust of the Roman Catholic church and the socialists.
b) Why do you think Bismarck employed legal means to fight the church and the socialists?
5. What does Bismarck's struggle with the Catholic church and the socialists reveal about the limitations of authoritarian government?
6. Did Bismarck do anything that a democratic government could not, or would not, do? Explain.
7. Using the problem-solving techniques outlined in Unit One, write an essay which:
 - a) discusses the advantages and disadvantages of Bismarck's authoritarian regime.
 - b) reaches a well-reasoned conclusion.

RESEARCH QUESTIONS:

8. Examine Great Britain's treatment of the Roman Catholic church in the nineteenth century and compare it to Germany's.
 9. Compare Canada's treatment of the Communist party in the 1930s with the treatment of dissent in Bismarck's Germany. What differences between democratic and non-democratic governments does this reveal? See: Ivan Avakumovic, *The Communist Party in Canada: A History*, Toronto: McClelland and Stewart, 1975.
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HOW AUTHORITARIAN GOVERNMENTS ACHIEVE POWER: MUSSOLINI, BATISTA AND CASTRO

Historical and contemporary examples of non-democratic regimes are almost endless: dictatorships continue to flourish in South America, Africa, and Asia; in the twentieth century, communist regimes have emerged in Asia, Europe, and some third world nations. More often than not, one dictatorship has merely replaced another non-democratic government, but in several

One of the best methods of analysing the underlying beliefs of a political system is to examine how political power is achieved and what provisions are made for the continuance of the regime. Are the people consulted? To what extent are individual rights and freedom subordinated to the demands of the state? Who are the political leaders? What role does the individual citizen play in the political system? Keep these questions in mind as you read the following accounts of the rise to power of Benito Mussolini, Fulgencio Batista, and Fidel Castro.

The First World War (1914–1918) had a traumatic effect upon Europe, and Italy was no exception: soldiers returned from the battle front to find that there were no jobs available because munitions factories and other war industries had been closed;

the continued decline of Italy's gross national production and a decrease in overseas trade resulting from the war added to the economic problems. Unemployment rose from 90 000 in the summer of 1920 to over half a million by the end of the next year. The cost of living increased by 50 per cent and the middle classes soon found that their meagre savings were consumed by the inflationary spiral. For example, a family which had managed to save 10 000 *lira* before the war, soon discovered that a lire in 1919 could buy only one-tenth of the amount of food it had in 1913. Most urban workers and rural peasants had no savings to lose and remained mired in poverty.

What made the situation so bad was that Italian politicians had promised the people that the war would bring prosperity and plenty. Disillusionment now began to set in, and many Italians became increasingly unhappy with the country's rulers. In the countryside, rich landlords had their houses burned and their livestock slaughtered when they opposed several left-wing groups attempting to redistribute their land among the poorer peasants. Although not much land actually changed hands, the mayhem convinced large landholders that stronger government action was necessary.

In the large industrial cities, strikes became more and more frequent. Industrial strife reached a peak in the fall of 1920 when workers seized six hundred factories in a series of sit-in strikes. Although the crisis soon passed and the factories were ultimately returned to their owners, sporadic strikes continued to disrupt Italian industry. These rural and urban conflicts revealed the weakness of the government — paralyzed by divisions within Parliament, the government lacked the power to intervene and re-establish order.

One of the Italian government's promises to the people had been that participation in the First World War would bring national honour to the country. Italy, in fact, had



Contemporary Italy and surrounding countries.

entered the war to secure additional territory, and had emerged from the war with high hopes of obtaining the western part of Yugoslavia, including the ports of Trieste and Fiume, a strip of Dalmatia on the eastern Adriatic shore, and some of Germany's colonies in Africa.¹ Italy's failure to secure most of these possessions was viewed by the middle and upper classes as a blow to her national prestige. Once again,

¹Italy's lack of ideological commitment to the war was evident when the nation chose the winning side part way through the conflict, in return for promised territorial gains.

the government was accused of inaction and ineffectiveness.

The Italian Government

Italy at this time was a constitutional monarchy. As in Great Britain, the king had limited powers and the Chamber of Deputies, similar to the Canadian House of Commons, was the most important legislative branch of government. Unlike in Canada or Great Britain, clearly defined political parties had been slow to emerge in Italy, partly because it had only become a unified nation in 1870, and partly because the people were not used to democratic procedures. Italy had a Parliament, but no parliamentary traditions. The party system, for example,

was extremely fragmented; there were at least ten different political parties, and the two largest parties — the Socialists and the Christian Democrats — were unable to work together because of ideological differences. In addition, elected representatives frequently switched from one party to another.

The result was chronic political instability. On the average, governing coalitions changed every year and a half. When the people turned to the government for help, they saw a divided Parliament engaged in endless debates, bickering, name-calling, "buck passing," and procrastination. Faith in democracy began to dwindle as the political regime seemed incapable of defending Italy's interests abroad, solving



Austrian prisoners at the end of World War I, under guard by Italian mounted soldiers. Italians believed that their success during the war would lead to prosperity afterwards. Their disillusionment helped to set the stage for Mussolini's success.

Miller Services

the nation's economic woes, or of providing law, order, and efficient government at home. To fill this vacuum, the people turned to more charismatic and dominant leaders. The problems persisted. Into this confused situation stepped Benito Mussolini.

MUSSOLINI

Benito Amilcare Andrea Mussolini was born in northern Italy in 1883. He was the eldest in a family of three children. His father was a blacksmith with socialist beliefs which he tried to instill in his children. Mussolini, in fact, was named after the Mexican revolutionary Benito Juarez, and his middle names were taken from two prominent Italian socialists.

Although the Mussolini family was poor, Benito was sent away to a Catholic school. Here, he felt the shame of his parents' poverty, and in his second year was expelled for stabbing a rich schoolmate with his penknife. Despite another knifing incident at the next school, Mussolini graduated in 1902 with an elementary school teaching certificate. A year later, he traveled to Switzerland to further his education, but soon became so involved in encouraging strikes and establishing trade unions that he was deported. Returning to Italy, Mussolini continued his socialist preachings and in 1908 was imprisoned as a dangerous revolutionary. Once out of prison, Mussolini became editor of *Avanti* (Forward), the official newspaper of the Italian Socialist party, and for the next few years he threw himself behind the socialist cause with total commitment.

When the First World War erupted in 1914, Mussolini termed it a middle-class war and urged Italy to remain neutral — which was acceptable socialist doctrine. It was not long, however, before he changed his mind and began urging Italy to participate. As a result, Mussolini was forced to resign from *Avanti* and break with the

Socialist party. A short while later, he was drafted into the army, where he was wounded, discharged, and exempted from further duty. Mussolini was then ready to begin a new phase in his career.

Mussolini — The Man

Before describing Mussolini's rise to power, let us first examine the character of this man who was to rule Italy for over two decades. Mussolini's was not an imposing figure — only slightly over 150 cm tall, he was below average height. His hairline was rapidly receding and his round face was marked by a jutting jaw, a large mouth, and dark protuberant eyes. To disguise his short stature, Mussolini always stood ramrod straight, pushed out his lower lip and jaw, and tilted his head back so that he always seemed to be looking down at the person to whom he was talking. Once in power, he enjoyed standing next to the king, whom he dwarfed in size.

Mussolini and the Fascists sought to epitomize virility and strength. Mussolini's poor health and an ulcer which prevented him from eating meat and drinking wine were therefore hidden from the public. Likewise, his fondness for playing the violin, which was considered effeminate, was seldom mentioned. Instead, he was pictured as a horseman, a pilot, and a driver of fast cars. Although Mussolini also liked to pretend that he was a cultured, well-read intellectual, he had little interest in art, and he usually skimmed a book as quickly as possible to obtain its highlights. His one love was politics, and his goal was to achieve power and influence.

In personal relationships, *Il Duce* (The Leader, as he liked to be called) was a vain egotist who was insensitive to the feelings of those around him. His only real friends were his father and brother; he was ready to sacrifice everyone else, including his wife who bore him five children, and his many mistresses, in his pursuit of power.

Clearly, Mussolini suffered from an inferiority complex: in times of crisis, he was afraid to take action; lacking self-confidence, he tended to follow the advice of whoever spoke to him last; complex problems were ignored or reduced to a simple matter of black and white — which perhaps accounts for his ability to move from socialism to fascism.

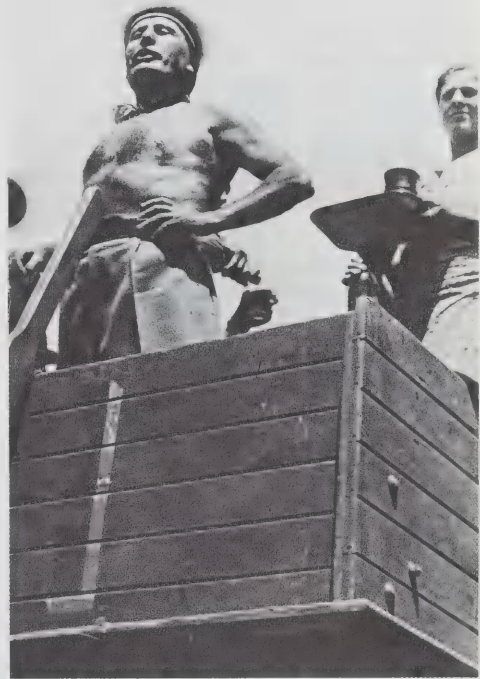
Mussolini's major asset was his rhetorical skill. His voice was both powerful and flexible, and he was able to establish a rapport with a crowd — and stimulate it to action. He spoke in a series of sharp, often unconnected statements. In short, he had charisma. Following the First World War, he was ready to put his talents and his ambition to work.

Mussolini's Philosophy

It takes more than rhetorical skill and charisma to win the support of a nation. A successful leader must also have an ideology or a set of objectives that are appropriate to the time period and to the people. Mussolini's set of ideas (confusing as they sometimes were) was called fascism.

"Our programme is simple:" stated Mussolini, "we wish to govern Italy. They ask us for programmes, but there are already too many. It is not programmes that are wanting for the salvation of Italy, but men and will power." Life was seen as a struggle in which positive action and discipline were needed for success; democracy and socialism were too passive and sentimental to survive in a world of conflict and struggle. Democracy's flaw was that it exalted the individual, not acknowledging that most people are irrational. Majority rule therefore meant that the nation was reduced to the level of the lowest common denominator.

Individuals, according to Mussolini, were first and foremost members of a nation to which they gave all their loyalty and love. In his view, the whole was greater



"On trips to the countryside, Benito liked to stop and help in the fields because it gave him a chance to remove his shirt and reveal his well-developed chest."

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than the sum of its individual parts. Only by subordinating themselves to the will of the state could people reach their fullest potential. This appeal to nationalism gave many Italians a sense of belonging, security, and self-worth. They were part of a larger whole, and that larger whole, Mussolini promised, would soon be one of the most powerful nations in the world.

Fascism also glorified the leader. Each person owed absolute obedience to his or her immediate superior; and everyone was ultimately subordinate to the national

leader. Just as there were some classes in society better able to rule than others (i.e. the Fascist party), only one person, Mussolini stated, was qualified to run the nation. Only he (it was assumed that the leader would be male) knew the real needs of the state, and therefore had to be given total obedience. The leader's will was indistinguishable from the collective national will, and was infallible. In a moment of vanity, Mussolini once declared: "Fascism is Mussolinism . . . what would Fascism be if I had not been?"

Fascism appealed to nationalists, to those who wanted efficient leadership and a restoration of law and order, to authoritarian-minded people, to anti-communists, and to those who gloried in war and feats of courage. It offered hope to confused people and it promised national greatness.

Mussolini's Rise to Power

In March of 1919, Mussolini began to gather around him a small group of ex-socialists and former armed service men who were having difficulty adjusting to civilian life. Initially, the movement was nationalistic, anticlerical, and anticapitalist. Attempting to appeal to the workers, Mussolini advocated an eight-hour work day, universal suffrage, and an end to class privileges. In the election of that year, however, his party received fewer than 5000 votes, and his old socialist friends paraded in front of Mussolini's house carrying a coffin bearing his name.

Mussolini changed course once again. Rather than continue to appeal to the apparently unresponsive lower classes, he decided to cater to wealthy businessmen. A less radical platform was drawn up which offered something for everyone. This sudden reversal did not appear to bother Mussolini, and he subsequently told the people, "we permit ourselves the luxury of being aristocratic and democratic, con-

servative and progressive, reactionary and revolutionary, legalists and illegalists, according to the circumstances of the moment, the place and the environment." In 1920, following an abortive attempt by workers to seize the factories, *Il Duce* threw his whole weight against the socialists and the communists. Groups of young men called *squadristi* were outfitted in black shirts and sent into the streets to combat the communists. They broke strikes, raided trade union offices, vandalized left-wing newspapers and terrorized anyone who opposed them. It was not long before this violence spread throughout Italy. If, as sometimes happened, a fascist member was murdered, within hours truckloads of fascists would come rumbling into town on a punitive expedition. The government, which also disliked left-wing groups, did nothing to stop the violence. In fact, it quietly supplied the fascists with weapons and gave them free railroad transportation. The police, too, would often either aid them in their battles against the leftists, or do nothing to stop them. The *squadristi* attacks created a sense of camaraderie among Mussolini's supporters; more important, they helped to mobilize widespread support. In the process, a private army, answerable only to Mussolini, was created.

THE MARCH ON ROME

In the 1921 general election, Mussolini's party captured thirty-five seats in Parliament, and party membership grew to 300 000. This was an indication of the growing success of Mussolini's tactics. By the next year, almost every segment of society was ready to co-operate with the Fascists. Merchants, skilled workers, professionals, and intellectuals all wanted a strong leader who could rebuild Italy's national prestige and restore law and order in the streets. To landowners, fascism meant

protection against further land seizures. To employers, it meant fewer strikes and the possibility of lower wages. Mussolini's deliberate attempts to increase violence and anarchy in the streets served to keep property owners in a state of alarm. With the government unable to do anything, fascism seemed the only solution. Moreover, the Socialist party's success in appealing to the labouring class made the middle and upper classes uneasy. Mussolini played on their fears by prophesying that a communist revolution similar to the 1917 revolution in Russia would happen in Italy if he were not elected.

Although *Il Duce* had been anticlerical and antimonarchist, by 1922 he was on cordial terms with Pope Pius XI; the Queen

Mother herself was an avid fascist. The Pope believed he could work with Mussolini, distrusting the parliamentary system which he thought was incapable of preventing the growth of socialism. King Victor Emmanuel's younger brother supported the Fascists, who he hoped would put him on the throne; and the fear that the Fascists might replace Victor Emmanuel with his brother was enough to keep the king from obstructing the spread of fascism. Finally, the civil service and many politicians supported *Il Duce* because they believed they could control his actions. Given power, Mussolini would become more responsible — or so they thought.

By 1922, Mussolini felt strong enough to challenge the government. When the gov-



Mussolini with his son Romano in 1929, when he was presenting the image of a conventional middle-class leader.

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Mussolini at the wheel of his Alfa-Romeo sportscar, May 1932. Compare this photograph with the one taken in 1929, and note the change in political image that has taken place.

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ernment ignored his threat to seize control of the state if he was not given power immediately, he ordered the squadristi to isolate the government offices in Rome from the rest of Italy by capturing strategic railway and telegraph offices. At the same time, the Fascists, approximately 26 000 strong, began to march on Rome.

After a period of indecision and confusion, the government decided to call out the army. In retrospect, this was the correct decision. The Fascists were outnumbered and had no cannons; some of the insurgents were armed only with clubs. They were trained for street fighting, not for a full-scale military campaign. In fact, the Fascist troops were instructed to avoid conflict with the army, and where the authorities did offer resistance, the marchers fell back without putting up a fight. The king, however, did not know this. He also apparently

believed that Mussolini would place his brother on the throne if he opposed *Il Duce*. As a result, the king used his authority to cancel the government's order to call out the army. Two days later, the king invited Mussolini to become the new premier — the change in government was thus constitutional.

THE FASCIST GOVERNMENT

For the first few years, *Il Duce* lived up to the expectations of the upper and middle classes. He took lessons in protocol and manners. He wore conventional clothes for public appearances, and he reported twice weekly to the king. In Parliament, Mussolini established a conventional ministry and was given a vote of confidence from the Chamber of Deputies. It is true that he demanded and was granted dictatorial

powers until the end of 1923, but this was not unusual in Italy at this time, and was perfectly legal.

Gradually, Mussolini gained more and more power, reducing Parliament to the function of a rubber stamp. Although the Chamber of Deputies continued to function, the Fascist party selected all candidates and presented them to the electorate for approval. The ballot read: "Do you approve of the list of deputies chosen by the Fascist Grand Council?" Civil servants who disagreed with the fascist philosophy were dismissed. *Il Duce* was given permanent control of the military forces, which swore personal allegiance to

him. Local municipal elections were abolished and municipal officials appointed by the government in Rome. Newspapers were censored. Socialist and Catholic trade unions were prohibited. "Italy wants peace and quiet, and calm in which to work," Mussolini declared, "This we shall give her, by love if possible, by force if need be."

By the end of 1926, Mussolini was the undisputed fascist dictator of Italy. He would remain so until his dismissal in July 1943. (Two years later, he was caught by his enemies and hanged.) In the interval, Benito Mussolini helped bring about the bloodiest war in the history of the world.

QUESTIONS:

1. There are two general ways to explain Mussolini's rise to power: the first is to attribute *Il Duce's* success to the man himself. This follows the "great man" theory of history, which states that every so often, a strong and dynamic person will appear, who by the very force of his personality, drive, and intelligence will shape the environment to suit his purposes; the second explanation is that Mussolini's success was a direct outgrowth of Italian history. According to this theory, the environment shaped his rise, not the reverse. Fascism triumphed because it responded to the needs of society. Select one of these two explanations, or your own theory, and defend it.
2. Explain how the Italian government could have prevented Mussolini's rise to power.
3. How do you think power would have been transferred in Fascist Italy if Mussolini had died while he was still at the height of his power?
4. What does this Case Study reveal about the underlying beliefs of the fascist regime? Discuss under the following headings: individual rights; the power of the state; might makes right; the end justifies the means.
5. a) What does this Case Study reveal about the potential weaknesses of democracy? (Use the inquiry techniques outlined in Unit One.)
b) What can be done to avoid these problems?

RESEARCH QUESTION:

6. Italy was not the only nation in Europe to turn to totalitarianism between the two World Wars. Again using the inquiry techniques outlined in Unit One, research and write an essay explaining why *either* Adolf Hitler rose to power in Germany, or General Franco gained control of Spain. Organize your essay in a similar manner to the Case Study on Mussolini. Discuss the reasons for discontent, the personality of the man, and the way he used the situation to achieve power.
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THE CUBAN REVOLUTION

Cuba is the largest island in the West Indies. From end to end, it measures 1245 km, and its width varies from 35 to 208 km. The island is located in the entrance to the Gulf of Mexico, only 150 km off the Florida coast. Because of its size and strategic location in Latin America, Cuba was invaded by Spain shortly after its discovery by Christopher Columbus, and in the sixteenth century it became a Spanish colony. During the following four centuries, Cuba remained a dependency of Spain, which profited from the island's abundant sugar plantations.

Cuban nationalistic feelings erupted in 1868. The next thirty years were filled with bitterness, despair, bloodshed, and terror as the Cuban people, led by José Martí, attempted to free themselves from Spanish control. Finally, with the help of the United States, the Spanish forces were defeated in 1898. No sooner had Cuba achieved independence from Spain than it fell under the control of the United States.

Americans in Cuba

The United States had considered annexing Cuba for strategic reasons as early as 1808, but it was not until the rapid expansion of the American Industrial Revolution that annexation became a realistic proposition. By the 1890s, the aggressive American business community had expanded its influence into Hawaii, the Philippines, Mexico, China, Nicaragua, Venezuela, Cuba, Samoa, and the Midway Islands. These countries provided a market for America's agricultural and industrial products. Although Cuba was controlled by Spain, American investments in the island totalled over thirty-three million dollars in 1898. In addition, there was a prosperous two-way trade in flour, sugar, and manufactured goods, although the almost continuous warfare between Spain and the Cuban rebels

interrupted this trade. Many businessmen began to believe that if Spain could not protect American property and provide a stable government on the island, then in the interest of commerce, the United States should intervene. When an American battleship floating in a Cuban harbour was allegedly blown up by Spain in 1898, Washington decided to intervene on Cuba's behalf in what became the Spanish-American war. This decision was based on a combination of popular sympathy for the Cuban rebels, outrage at Spanish atrocities committed in Cuba, the desire to eliminate European power from the western hemisphere, and the need to secure the safety of American investments on the island. Following the defeat of Spain, American troops remained in Cuba for four years. During this time, the United States ran the government and American businessmen took the opportunity to consolidate their holdings and acquire more property.

On May 20, 1902, American troops were withdrawn. A new Cuban constitution granted universal male suffrage and provided for a popularly-elected, but all-powerful president who could serve for a maximum of two consecutive four-year terms. National happiness, however, was tinged by humiliation and a feeling of impotence. The United States had made its withdrawal of troops contingent upon Cuba's acceptance of the Platt Amendment; this document literally made Cuba an American protectorate. It allowed the United States to intervene in Cuban affairs for "the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property and individual liberty." The amendment also restricted Cuba's authority to make treaties or to borrow money from abroad. The United States navy was given specified coaling and naval stations; American control over the island's public utilities was consolidated; and a trade agreement was passed which opened Cuba to American

agricultural and industrial products.

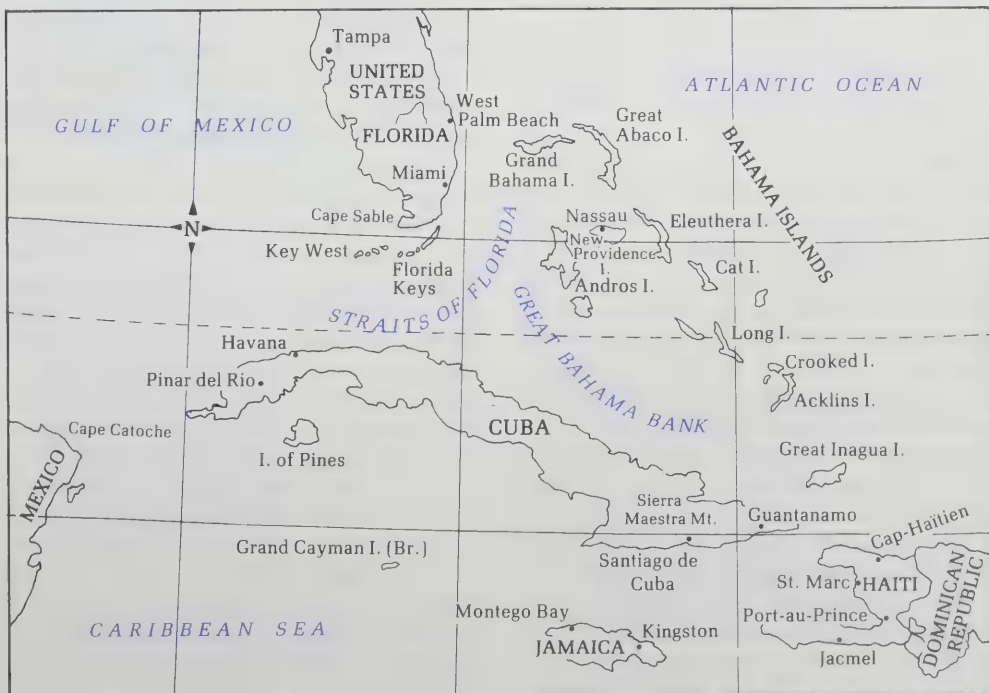
The Platt Amendment remained in force until 1934. Prior to that time, the United States interfered several times to maintain order in Cuba. Almost all the influential Cuban leaders during this period had close ties with American businessmen and politicians. Unfortunately, the knowledge that the United States would intervene to protect Cuba from attack or to solve its internal political problems kept Cubans from learning how to run their own affairs. This attitude has been called the "Platt Amendment mentality."

The Revolution of 1933

Soon after the American withdrawal, Cuban politics became a morass of corruption, bribery, and scandals. Public office was sought as a source of personal profit

rather than as a service to the public. Disgusted by the venality of politics, the people elected Gerardo Machado to the presidency in 1925 — largely because he promised to end government frauds and immorality.

Machado, however, failed to live up to his promises; once again the people were disillusioned, but this time political frustration was combined with economic hardship. The price of sugar on the world market had declined rapidly and as a result, unemployment rose, wages fell, and poverty increased. The final straw was Machado's attempt to prolong his term as president without holding a general election. Urban and rural workers protested terrible working conditions; university students and professors demanded a higher standard of public morality; both groups insisted that Machado resign. When this



Cuba and surrounding area.

dissatisfaction turned into strikes, protest marches, and riots, the president took harsh measures. Anti-government newspapers were shut down and the university and high schools were closed. Hired killers roamed the streets. A few small uprisings were brutally crushed and political prisoners were tortured.

By 1933, it was obvious that something had to be done. In an attempt to find a peaceful solution, the United States sent Ambassador Sumner Welles to Cuba to mediate between the government and the opposition. Welles made little headway — near the end of July 1933, a nationwide strike brought industry and communications to a standstill. When several revolts within the army broke out a few days later, Machado resigned on August 12.

The public went wild with delight. Revenge-crazed mobs roamed the streets looting, stealing, and killing Machado's supporters — some were literally hacked to pieces in public squares. Students demanded radical social and economic reforms as well as political independence from the United States. One popular slogan read: "Cuba for the Cubans."

Once again, however, the people were frustrated. The army allied with politicians to appoint Carlos Manuel de Céspedes as president. Céspedes was a conservative politician who had the support of the United States and was unwilling to do any more than end the blatant brutality of the Machado regime.

The violence continued. Students and workers called for such social and economic reforms as higher wages, union recognition, better living conditions, and a redistribution of farmland. On September 4, rank and file soldiers led by Sergeant Fulgencio Batista rebelled against their officers. The soldiers had been upset by a proposed reduction in their salaries and by an order restricting promotion within the army. Although the army by that time had full control of the government, it needed

civilian support. After a meeting with university students, a junta of five men was chosen to form a provisional government. Former university professor Ramón Grau San Martín headed the government, and Batista (now a colonel) remained in control of the army.

Once again, however, the government was overthrown by the army. After only 120 days in office, Grau was removed by the Batista-led army and replaced by Carlos Mendieta, a puppet of Batista. During his short period in power, Grau had proposed agrarian reforms, attempted to nationalize the sugar and mining industries, tried to cancel the Platt Amendment, and proposed to set the maximum working day at eight hours. These ideas naturally aroused the hostility of both the United States and the island's industrial and commercial leaders. At the same time, Grau's reformism did not go far enough to satisfy the students, and he lost their support as well. Batista took advantage of this situation to elevate himself to the most powerful position in Cuba.

The failure of Grau to gain American endorsement of his regime had kept alive the hopes of his opponents. When the ambitious Batista forced Grau to resign on January 14, 1934, the United States almost immediately recognized the new regime which promised to protect foreign investments and provide a stable, ordered government. At this time, American businessmen controlled nearly two-thirds of Cuba's sugar output, and the two leading banks were America's Chase National and Canada's Royal Bank. In fact, U.S. currency was the legal tender of Cuba, and remained so until 1948. It was in the industrialists' best interest to have a government sympathetic to the "needs" of business. In order to buttress the Mendieta-Batista regime, the United States agreed to renounce the Platt Amendment (although it retained control of the port at Guantanamo), lower the tariff on raw Cuban sugar, and guarantee Cuba 28 percent of the



Batista with his family.

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American sugar market. These terms were calculated to soothe Cuban nationalistic feelings, bolster the island's economy, and enhance the reputation of the new Cuban government.

The plan was successful. Not only had the reformers lost their chance to rebuild the social and economic institutions of the nation, but the 1933 revolution also marked the entry of the army into politics. From this point onwards, every civilian regime lay at the mercy of military leaders.

The Batista Era

Fulgencio Batista was twenty years old when he joined the army in 1921. Since he was poorly educated and came from the lower classes, Batista started at the bottom. During the next decade he rose slowly but steadily. Always ambitious and industrious, he learned to type; studied law; dealt in real estate; managed a farm; sold fruit and vegetables; and taught commercial subjects at night school. After he rose to power, Batista hired instructors to teach

him and his wife proper social graces. An avid reader, he collected material on Benito Mussolini, whom he admired. In person, Batista was a charming, persuasive talker who always seemed to have a smile on his lips.

From 1934 to 1940 Batista, as head of the army, ruled Cuba through a series of puppet presidents. Realizing that it would be impossible to maintain power by force alone, he formed a series of separate alliances with the propertied classes, the Communist party, the workers, and the old, traditional political parties. At the same time, he sponsored a series of reforms designed to improve living conditions: legislation was passed in the areas of health, sanitation, education, and pensions; a minimum wage was set; and tenants on small sugar plantations were protected from arbitrary eviction. In this way, Batista broadened the base of his support.

Ultimately, however, the regime relied on the army as its source of power. During this period, the army was enlarged and modernized, and its living standards were

greatly improved. The United States supplied the army with the best in weaponry and trained many of the Cuban officers. It was this army that Batista employed to rout his enemies. During the general strike of 1935, for example, hundreds of people were injured, union offices were raided and destroyed, and opposition newspapers were closed. The strike was ruthlessly suppressed. Although this kind of terrorism did not continue for very long, the Batista-controlled government reinstated the repression and corruption that had been symptomatic of pre-1933 Cuba. The army shared in the fruits of this corruption. In fact, the rank and file were recruited from demoralized Cuban youth who had no compunction about joining in the spoils of office.

After the adoption of a new, more democratic constitution in 1940, Batista ran for the presidency and was successful. This was the first time he was the *official* head of Cuba. In the following election, Batista was defeated by Ramón Grau San Martín, and fearing reprisals, he fled to Florida. The people hoped that Grau would re-establish the reforms he had passed in 1933. Once again they were disappointed. Grau's autocratic rule was not much better than Batista's. Patronage, corruption, and embezzlement of public funds were widespread. Disillusionment led to cynicism — politicians, the people came to believe, could not be trusted.

Batista returned to Cuba in 1948. Four years later, he decided to run once again for the presidency. When it became obvious that he would not win, Batista used his influence with the army to overthrow the regime on March 10, 1952. The ease with which the coup was carried out, and the lack of opposition to it, illustrated the weakness of Cuba's political institutions. The people were too demoralized to resist. Besides, how could Batista be any worse

than the previous "democratic" politicians? Cuban propertied classes and American businessmen supported the coup because they hoped that the new dictator would impose law and order after so many years of chaos.

This time, Batista was less willing to compromise. His despotic, gangster-like tactics and his increasing reliance on corruption soon alienated the propertied classes who had originally welcomed him. And although the Cuban economy was generally prosperous during the late 1940s and early '50s, previous labour gains were gradually whittled away. The increased wealth of plantation owners, ranchers, hotel owners, and utility companies, however, was not passed on to the workers, who had one of the lowest standards of living and highest illiteracy rates in Latin America. Outside of Havana, for example, there were very few medical doctors. Unemployment, which reached a high of 16 percent in 1957, became a chronic problem. The workers, however, had no institutions through which they might express their frustration, or in which to organize their discontent with the system. The most obvious source of help would have been the trade unions, but Batista had won their leaders over to his side through bribery and intimidation.

The Roman Catholic Church, which played an important role in the overthrow of several other Latin American dictatorships, was generally conservative in nature and did not oppose Batista until 1958. Even then, the church had no deep roots in Cuban society because most of the priests were still Spanish, and because the church catered largely to the urban middle class.

Opposition to the regime was thus disorganized and leaderless. There was no credible alternative around which the people could unite. Several attempts at opposition were met with fierce brutality, and

Batista's opponents were jailed and exiled. The Communist party was driven underground. Appeal to the United States appeared hopeless because Washington had just granted recognition to several other

Latin American dictatorships. Help from the army was highly unlikely, as it had become a mercenary institution allied to Batista and generally isolated from the rest of society.

QUESTIONS:

7. Explain the meaning of the phrase "the Platt Amendment mentality."
 8. Using the 1933 Cuban Revolution as an example, discuss the ingredients needed for a *successful* overthrow of government.
 9. What are the similarities and the differences between Mussolini's rise to power and Batista's success?
 10. Explain the reasons behind Washington's continued support of non-democratic regimes in Cuba.
 11. Imagine that you are living in Cuba in 1958 and that you oppose Batista. Based on what you have read about the difficulties of opposing the dictator, how would you attempt to overthrow the government?
-

FIDEL CASTRO

From 1952 to 1956, the burden of opposition was carried by university students. Dissent took the form of student demonstrations, terrorism, armed assaults on military garrisons, and assassination attempts on Batista's life. Although this opposition was brutally defeated, the flame was kept alive. Unfortunately, there was at this time no charismatic national leader around whom the students could unite. Certainly, the older generation of politicians had proven itself unworthy of trust.

Opposition to Batista's regime also came from recent graduates from the University of Havana — one of these being Fidel Castro. Born in 1926, Castro came from a wealthy landowning family. He was brought up in the country, where his playmates were children of the poorer families in the area. Castro was sent to a Catholic high school in Santiago where he obtained good marks and was named

Cuba's best school athlete in 1944. Tall, good-looking, athletic, and articulate, he entered into politics as soon as he began university. However, although he was a good debater and a courageous, active thorn in the side of the Batista regime, Castro was never the leader of more than a handful of followers. In 1950, he graduated from law school and joined a small law firm, but was never very happy as a lawyer and took little interest in the firm. Most of his clientele were poor widows or labourers whom he charged very little.

Castro's Rise to Power

When it became apparent that Batista could not be deposed by legal action, Castro decided to organize an armed uprising. His first target was the Moncado army barracks in Santiago de Cuba. Success here would both provide his men with badly needed weapons and, Castro hoped, act as a cata-

lyst in arousing Cubans to take up arms against the reactionary regime.

Security was a prerequisite: Castro divided his supporters into cells of about ten each; no one was told where the target was or when they would strike. Contact among the cells involved only cell leaders, and then only through intermediaries. The date of the uprising was set as July 26, 1952, at 05:30. This was carnival night, and a large group of strangers would likely go unnoticed. Success depended upon surprise.

Despite Castro's meticulous planning, the raid ended in failure and he was forced to flee. Many of those who were caught in the actual raid were tortured and murdered. Five days later, Castro and the rest of the conspirators were apprehended, and Castro was given a fifteen-year prison sentence.

Despite its failure, the Moncado attack captured the imagination of Cuba and gave Castro national publicity and prestige. While in prison, he worked out the strategy and tactics he would later use to overthrow Batista. He also wrote articles for a popular Cuban magazine and succeeded in having 10 000 copies of *History Will Absolve Me* (a reprint of his defense in court) printed. This material was smuggled out of prison in match boxes with false bottoms, or by using lemon juice to write between the lines of his normal letters.

Castro's program, although radical, fell within Cuba's revolutionary political traditions. The major theme was militant opposition to Batista — an idea with which most Cubans could agree, and one which would later form the basis of Castro's broad, heterogeneous, anti-Batista coalition.

Castro was freed from prison in May 1955, as part of a general amnesty designed to improve Batista's public image. He had been offered freedom earlier, in exchange for a promise not to cause any more problems, but the prisoner apparently replied: "We do not want amnesty at the price of dishonour. . . . Better a thousand years in



Castro on his release from prison on May 16, 1955.

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prison before the sacrifice of integrity." Shortly after he was released, Castro became convinced that the government was plotting his assassination, and he fled to Mexico.

In Mexico, Castro met Dr. Ernesto ("Ché") Guevara, who had fought against the Guatemalan and Argentinian dictators and was now searching for another Latin-American war of liberation in which he could participate. Castro began to plan for an invasion of Cuba. The liberation movement had begun. Despite harassment from the Mexican authorities, some eighty men were trained in guerrilla warfare; they were taught how to shoot, make bombs, use camouflage, attack, withdraw, disappear, and attack again. When Castro thought that his men were ready, he announced that he would return to Cuba in 1956. "I want

everyone in Cuba to know I am coming," Castro replied to one of his men who questioned the wisdom of disclosing their plans. "I want them to have faith in the 26th of July Movement. It is a peculiarity all my own although I know that militarily it might be harmful. It is psychological warfare." When Castro proved true to his word, the movement gained a great deal of political currency in a country so used to broken promises and disappointments.

The invasion was planned for November 30, 1956. It was to coincide with a wave of locally organized sabotage in Cuba, and with an attack on the island's military installations. The two forces were then to join to overthrow the government.

It didn't work that way. Rough seas, an overcrowded, leaking boat, and seasickness combined to delay Castro's landing by two days. By the time the boat arrived, the uprising had been crushed and most of its leaders were dead or in jail. The rebels would have to fend for themselves. To make matters worse, the ship landed off course and the eighty-two revolutionaries had to wade through two miles of swamp and quagmire. By that time, a government plane was flying over their heads and a naval vessel began to fire into the surrounding bush. A short while later, a group of soldiers surprised them, killing twenty-one men. The surviving members divided into small groups and headed for the Sierra Maestra mountain range. Two weeks later they re-formed in the mountains. Besides Castro, his brother Raul, and Ché Guevara, only nine members had survived the trip; although they were physically exhausted and without weapons, Castro announced, "and now we're going to win."

The first rebel victory was in La Plata, where a small army post of about twelve soldiers was seized early in 1957. Castro now had more weapons than men, but this problem was partially solved in February of that year, when Herbert Matthews of the

New York Times was invited to the Sierra Maestras to interview Castro. The Cuban government had reported that Castro had been killed, and the interview was arranged to let Cubans know that he was alive and fighting. While Matthews was interviewing Castro, his brother paraded back and forth with the same men, to give the impression that they had more men than the eighteen they did have. When the interview was published, it created a sensation. Castro was pictured as a romantic figure combating a wicked tyrant; this won him the sympathy of many Americans as well as the support of the Cuban people.

Batista ordered the army to destroy the guerrillas, but army action served only to reinforce Matthew's newspaper account of Castro as a formidable force. Unable to capture the rebels, the army decided to remove the farmers in the Sierra foothills from their homes and then bomb the depopulated area — a tactic that also failed.

The number of volunteers grew with each success. Peasants lent their assistance partly because the friendly and considerate guerrilla force was quite different from the arrogant and brutal soldiers; also, the rebels paid for everything, provided free medical care, and promised to redistribute land once they overthrew the government. The high standard of morality maintained by the guerrillas helped shake people's cynicism.

By April of 1957, the guerrilla camp had grown to approximately eighty men, and Castro was ready to expand his attacks. Enemy detachments were ambushed and small army posts were attacked. In May, a stunning victory in the Battle of Uvero proved the rebels' fighting ability, and once again the army was forced to alter its strategy. In December, army troops were pulled out of the Sierra Maestra and a ring of army posts erected to surround Castro's headquarters in the mountains. If the government could not destroy the rebels, per-

haps it could quarantine them.

In the summer of the following year, the guerrillas broke out of the encirclement and began to move farther west. By winter, they controlled almost the whole eastern half of the island, and this with fewer than two thousand fighters. The army had not been trained in guerrilla warfare and was no match for the rebels; as desertions increased, the army became demoralized. Corruption and brutality, not warfare, were their strong points. By December, they were in no mood to resist the guerrillas.

Part of Castro's strategy was to keep the people constantly informed of his progress. Early in 1958, *Radio Rebelde* began broad-

casting. Its policy was to tell the truth, which contrasted markedly with government propaganda. Castro's followers also proved to be apt propagandists; they placed a two-page advertisement for cigarettes in Havana newspapers, showing a man with a pack of cigarettes in one hand and a book entitled *High Fidelity* in the other. A wrist-watch advertisement pictured a man wearing a watch, whose face closely resembled Castro's, complete with beard and military cap. Not surprisingly, newspapers were quickly ordered to stop running this advertisement.

Propaganda was supplemented by sabotage and bombings by Castro's under-



In the twenty years since he seized power, Castro proved to be a durable politician, with an excellent understanding of political image-making. To emphasize the importance of sugar exports for Cuba's economy, for example, he often participated in the sugar harvest, as depicted in this photo from the early 1960s. What sort of political image did Castro project?

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ground supporters. Batista's reprisals were so violent that he lost the loyalty of many of his supporters — citizens were repulsed by the sight of the bullet-ridden bodies of young men left in the streets with bombs tied to them as a warning to the rebels. Batista's picture on movie screens began to provoke catcalls, and when musicians played the dictator's favourite song at dances, couples stood still.

The government's morale was further weakened by the decision of the United States to stop all shipments of weapons and munitions to Cuba. Although these supplies were not of crucial military importance, the action indicated that Washington was losing patience with the regime. Castro, on the other hand, was careful not to alienate America. He promised to protect foreign investments, maintain the private enterprise system, and promote freedom. In fact, Castro was successful partly because

no one knew his future plans.² The period of hostilities had been so brief that he had not alienated any large group from his movement.

Batista's regime was built on terror and fear. Once Castro showed that he had a good chance of defeating the dictator, the people — particularly peasants who wanted the land reforms Castro promised — flocked to the guerrillas. The government finally collapsed and Batista fled the country, leaving the capital open to the guerrillas. In December 1958, 33-year old Fidel Castro became the leader of Cuba.

²Historians are uncertain whether Castro did have a well thought-out program at this time. It is relatively certain, however, that he did not have support from the Soviet Union, and was not (as yet) seriously contemplating communism.

QUESTIONS:

12. Compare your answer for Question 8 with this account of Castro's rise to power. Rewrite your answer to incorporate this new information.
13. To what extent was Castro's victory a product of Batista's ineptness, and to what extent was it due to Castro's own abilities?
14. What is the major cause of revolutions? Many people believe that it is poverty and exploitation, yet if this were so, the poor of the world would be in a constant state of rebellion. Other writers believe that revolutions are caused by ideas, or by great people. What is your view? Explain your choice.
15. Non-democratic governments, as we have seen, rely heavily on the army for support. How can the role of the army in politics best be restricted?
16.
 - a) Imagine that your goal is to seize control of a democratic government. Explain how you might best achieve this goal.
 - b) What would be the government's best defense against your plan? Why?
 - c) To what extent (if at all) must a democratic government adopt non-democratic means to prevent a coup d'état? Is it then democratic?

RESEARCH QUESTIONS:

17. Prepare for a debate on the question: are violent revolutions ever justified?

18. Research the history of Castro's regime since 1959 and report on one of the following topics:
- a) the democratic nature of his regime
 - b) its relationship with the Soviet Union
 - c) its relationship with the United States
 - d) its economic policies

See Hugh Thomas, *Cuba: The Pursuit of Freedom*, Harper & Row, 1971; P.W. Bonsal, *Cuba, Castro, and the United States*, University of Pittsburgh Press, 1971; T. Draper, *Castroism: Theory and Practice*, Praeger, 1965.

19. Divide into four groups and choose either Europe, Asia, Africa, or Latin America and make a list of those countries that are basically democratic and those that are not. For each non-democratic country, briefly explain how the present regime gained power.
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HOW AUTHORITARIAN GOVERNMENTS MAINTAIN POWER: NAZI GERMANY

THE RISE OF ADOLF HITLER

the peace treaty. Economic problems and fear of a communist revolution were used by Hitler and Mussolini to further their own ends, as was the formation of private armies dedicated to their leaders' wishes.

At the end of World War I, after centuries of autocratic rule, a democratic government (the Weimar Republic) was established in Germany. Unfortunately, the leaders of the new Weimar Republic had signed a peace treaty (which many Germans believed imposed unjust measures on their nation) for which the kaiser's autocratic government escaped blame. Because the German people had not seen the imminent collapse of the army at the front, they deluded themselves into believing that the Democrats had betrayed them. The result was that many people still associated the glories of Germany with the kaiser's autocratic regime and its military might.

The Weimar government was soon threatened by both left- and right-wing groups that wished to overthrow it. In 1919,

a Marxist group failed in an attempt to establish a communist regime, and four years later, Adolf Hitler's rebellion (the Munich Beer Hall Putsch) was equally unsuccessful.

Despite the large number of political parties competing for power, the Weimar Republic limped on until the Great Depression hit the western world in 1929. When the government proved itself incapable of solving the nation's economic problems, Adolf Hitler's National Socialist German Workers' party (the Nazi party) was able to take advantage of the situation to seize the reigns of power.

Hitler had used the period after his unsuccessful *Putsch* in 1923 to raise a private army (the Storm Troopers, or SA) patterned after Mussolini's Black Shirts. Financed by wealthy industrialists who feared a communist revolution, the Nazi party made rapid political gains. From only seven seats (out of 608) in the 1928 Reichstag (lower house), the party gained 230 seats in the 1932 election. Political chaos continued as Nazi and left-wing groups fought in the streets. When Hitler's electoral support dropped in the 1933 election, moderate elements in the government calculated that they would be able to control him, and in 1933 they appointed the Nazi leader chancellor.

They miscalculated. Hitler quickly outmanoeuvred the moderates and called a snap election for March 1933, using his powers as chancellor to terrorize the opposition parties. A month before the election, the Reichstag building was destroyed by a fire that Hitler blamed on the communists — although many historians suspect that Hitler was responsible. Jails were filled with the Nazis' left-wing opponents, and Hitler subsequently won a majority in the Reichstag. The Nazis had consolidated their power.

But this Case Study is not just about why or how Hitler achieved power; rather it examines how one totalitarian state was able



Nazi election poster. It reads: "Our Last Hope: Hitler."

Imperial War Museum

to maintain control over the nation. The following documents illustrate some (but not all) of the methods employed by the Nazis which enabled them to rule Germany for twelve years — a period during which Hitler threatened the very survival of Western European civilization, and heaped death, destruction, and terror on Germany and its European neighbours. At the conclusion of this Case Study, you will be asked to write an in-depth essay explaining how Hitler retained control over the German nation. The questions at the end of each section are designed to help you analyse the documents.

The Use of the Law

The following three acts reveal how Hitler legally established his control over the Ger-

man government and sought to maintain it:¹

1. Decree of the Reich's President for the Protection of the People and State - February 28, 1933

In virtue of Section 48 (2) of the German Constitution, the following is decreed as a defensive measure against Communist acts of violence endangering the state:

Article 1

Sections 114, 115, 117, 118, 123, 124, and 153 of the Constitution of the German Reich are suspended until further notice. Thus, restrictions on personal liberty, on the right of free expression of opinion, including freedom of the press, on the right of assembly and the right of association, and violations of the privacy of postal, telegraphic, and telephonic communications, and warrants for house-searches, orders for confiscations as well as restrictions on property, are also permissible beyond the legal limits otherwise prescribed.

2. Law Against the New Establishment of Parties - July 14, 1933

The German Cabinet has resolved the following law. . . .

(1) The National Socialist German Workers' Party [The Nazi Party] constitutes the only political party in Germany.

(2) Whoever undertakes to maintain the organizational structure of another political party or to form a new political party will be punished with penal servitude up to three years or with imprisonment of from six months to three years, if the deed is not subject to a

greater penalty according to other regulations.

3. Law to Safeguard the Unity of Party and State - December 1, 1933

The German Cabinet has resolved the following law. . . .

(1) After the victory of the National Socialist revolution, the National Socialist German Workers' Party is the bearer of the German state-idea and indissolubly joined to the state.

(2) The Führer determines its statutes.

During the first few years after his assumption of power, Hitler held a series of elections and plebiscites to show that the people approved of his actions. The results were usually close to 100 percent in his favour. The following document illustrates one method that was used to achieve these results.

**Police supervision of plebiscites.
Subject: Plebiscite of 10 April 1938**

Copy of a schedule is attached herewith enumerating the persons who cast 'No' votes or invalid votes at Kappel, district of Simmern. The invalid votes are listed first, ending with —; thereafter come the 'No' votes.

The control was effected in the following way: some members of the election committee marked all the ballot papers with numbers. During the ballot itself, a voters' list was made up. The ballot papers were handed out in numerical order, therefore it was possible afterwards with the aid of this list to find out the persons who cast 'No' votes or invalid votes. One sample of these marked ballot papers is

¹Nuremberg Documents.

enclosed. The marking was done on the back of the ballot papers with skimmed milk.

The ballot cast by the Protestant parson Alfred Wolferts is also enclosed.

The identification of two persons was impossible because there are several persons of the same

name in the village and it was impossible to ascertain the actual voter.²

²Jeremy Noakes, Geoffrey Pridham, *Documents on Nazism, 1919-1945*, London: Jonathan Cape, 1974, p. 292.



Members of the Communist party being held under arrest by a Nazi Storm Trooper.

Bundesarchiv, Koblenz

QUESTIONS:

1. Explain how Hitler was able to ensure the appearance of popular support for his actions.
 2. How might these contrived elections and plebiscites help Hitler maintain political power?
-

Promises and Fulfillment

Hitler promised the German nation that he would defeat the economic depression that had crippled the country's economy, and he promised to build Germany into a world power once again. The extracts which follow outline his economic policies.

In 1936 Hitler summed up the success of the Nazi party since 1933:

And what has National Socialism in these four years made of Germany? . . .

How [our enemies] would have jeered if on the 30th of January, 1933 I had declared that within four years Germany would have reduced its six million unemployed to one million!

That the receipts from German agriculture would be higher than in any previous year in time of peace.

That the total national income would be raised from 41 milliards annually to over 56 milliards.

That trade would once more recover.

That German ports would no more resemble ship grave-yards.

That in 1936 on German wharves alone over 640 000 tons of shipping would be under construction.

That countless manufactories would not merely double but treble and quadruple the number of their workmen. And that in less than four years innumerable others would be rebuilt.

That to the German Reich would be given roads such that since the beginnings of human civilization they have never had their match for size and beauty; and that of the first 7000 kilometres which were planned already after not quite four years 1000 kilometres would be in use and over 4000 kilometres would be in course of construction.

But we did it!³

Hitler had this to say about the nation's economic growth:

I am further convinced that our people itself will continuously grow more healthy with this sober, clear, and decent political and economic leadership. I say 'political leadership', for these successes are not due primarily to economics, but to the political leadership. Clever economists, one may presume, there are elsewhere, and I do not believe that German economists have grown clever only since the 30th of January 1933. If, before that date, there was no progress, that was because the political leadership and the formation of our people were at fault. The change is due to the National Socialist Party!⁴

³From *The Speeches of Adolf Hitler* translated and edited by Norman H. Baynes published by Oxford University Press for the Royal Institute of International Affairs 1942.

⁴*Ibid.*, pp. 651-652.

QUESTIONS:

3. Using the last two extracts, explain why Hitler became so popular in Germany.
4. Discuss how Hitler used words to manipulate people's feelings.

The Purge

The following description reveals how Hitler dealt with insubordination within the Nazi Party:

As early as 1934, disgruntled party members began to conspire against Hitler himself. They were led by one of Hitler's most intimate friends, Roehm, the leader of the SA. Their general complaint was that Hitler had not gone far enough in his reforms and that a "second revolution" was in order. Hitler tried vainly to placate this group, not only on grounds of political disagreement but because the Army, whose support was essential to Hitler, had made it clear that no such extremism could be tolerated. When all entreaties had failed, Hitler struck with a ruthlessness and a rapidity which sickened the outside world, not yet inured to seeing the head of a state himself

supervising the murder of his friends. The purge of June 30, 1934, had a double effect: it recreated unity in the Nazi ranks and sealed the alliance between Hitler and the Army. From then on most of the Army leaders — even if they did not share the popular fanatic trust in Hitler — recognized him for what he was: the man under whose leadership the military strength of Germany would be rebuilt. It is not by accident that Hitler began at the time to compare himself more and more frequently with Frederick the Great and Bismarck and to claim that he was their true heir. Nothing could appeal more strongly to the spirit and tradition of the German Army.⁵

⁵Raoul de Roussy de Sales, *Adolf Hitler: My New Order*, New York: Hitchcock, 1942, pp. 135-136.

QUESTIONS:

5. Explain how Hitler used this revolt to strengthen his control over the German nation.
 6. How would a similar disagreement be handled in a democratic nation?
-

The Portrait of a Dictator

How much of Hitler's success was due to his personality and charisma? The following extracts describing his character help to answer this question:

Physically, Hitler weighed about 150 pounds and was five feet nine inches in height. His skin was pale, and his physique generally unprepossessing. . . .

In his own private circle, Hitler's

behaviour was generally genial. No one crossed him, and he was liked by his intimates for the usual reasons — kindness and cordiality. He was especially friendly toward children and older people. He had a great understanding for the little pleasures and in his dealings with women displayed a positive charm.

Everyone who discussed this point with me mentioned that Hitler behaved like "a Viennese



Hitler talking to a young girl at his mountain retreat near Berchtesgaden. Note how the photograph presents him as the "Viennese Gentleman."

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gentleman" — a German character similar to our "Southern gentleman." This behavior not only included the usual social amenities but an exaggeration of grace. For instance, Hitler made it a point to kiss the hand of any woman to whom he was introduced. . . .

As an orator Hitler had obvious faults. The timbre of his voice was harsh, very different from the beautiful quality of Goebbels'. He spoke at too great length; was often repetitive and verbose; lacked lucidity and frequently lost himself in cloudy phrases. These shortcomings, however, mattered little beside the extraordinary impression of force, the immediacy of passion, the intensity of hatred,

fury, and menace conveyed by the sound of the voice alone without regard to what he said.

One of the secrets of his mastery over a great audience was his instinctive sensitivity to the mood of a crowd, a flair for divining the hidden passions, resentments and longings in their minds

One of his most bitter critics, Otto Strasser, wrote:

I have been asked many times what is the secret of Hitler's extraordinary power as a speaker. I can only attribute it to his uncanny intuition, which infallibly diagnoses the ills from which his audience is suffering. . . . Adolph Hitler enters a hall. He sniffs the air. For ■



This photograph was often used in Nazi propaganda posters. What effect would this picture have on the viewer, and how is this effect achieved?

minute he gropes, feels his way, senses the atmosphere. Suddenly he bursts forth. His words go like an arrow to their target, he touches each private wound on the raw, liberating the mass unconscious, expressing its innermost aspirations, telling it what it most wants to hear. . . .

When he wanted to persuade or win someone over he could display great charm. Until the last days of his life he retained an uncanny gift of personal magnetism which de-

fies analysis, but which many who met him have described. This was connected with the curious power of his eyes, which are persistently said to have had some sort of hypnotic quality. Similarly, when he wanted to frighten or shock, he showed himself a master of brutal and threatening language. . . .⁶

⁶Alan Bullock, *Hitler: A Study in Tyranny*, New York: Harper and Row, 1962, pp. 382-385; Douglas M. Kelley, *22 Cells in Nuremberg*, Chilton Books, 1947, p. 205.

QUESTION:

7. a) Discuss those aspects of Hitler's personality that most contributed to his success.
 - b) To what extent would Hitler have been successful in a democratic country? Why?
-

Justice in the Third Reich

Judges were often reminded of what the regime expected of them. The following command is a typical example of Nazi attitudes toward justice:

The National Socialist ideology, especially as expressed in the Party programme and in the speeches of our Führer, is the basis for interpreting legal sources.

The judge has no right to scrutinize decisions made by the Führer and issued in the form of a law or a decree. The judge is also bound by any other decision of the Führer which clearly expresses the intention of establishing law.

In the following extract, a German defence attorney describes the problems of gaining a fair trial in Nazi Germany, if the rights

of the police were questioned:

At that moment I intervened and asked permission to question the defendant, before the hearing of evidence, about . . . whether he had been beaten by the officers of the Secret State Police in connexion with the signing of these statements.

I had hardly finished the question when the State prosecutor jumped up excitedly and asked the president of the court to protect the officers of the Secret State Police against such attacks by the defence.

Appeal Judge — rose from his chair, leant on his hands on the court table and said to me: "Council for the defence, I must draw your attention to the fact that even

though the trial here is conducted *in camera* [in secret] a question such as you have asked can lead to your being arrested in the courtroom and taken into custody. Do you wish to sustain the question or not?"

These details are still fresh in my memory because they made an

extraordinary impression on me. Also, subsequently I have repeatedly discussed this case because it seemed to me typical of National Socialist justice.⁷

⁷Noakes, *Documents*, pp. 273, 275.

QUESTION:

8. a) Discuss the importance of controlling the legal system for a non-democratic regime.
 - b) What were the basic assumptions behind the Nazis' control over the judiciary?
 - c) What do these documents reveal about the importance of an impartial legal system for the maintenance of democracy?
-

Propaganda

Joseph Goebbels was appointed Minister for Propaganda and Public Enlightenment, which included control over art, moving pictures, sports, the celebration of national holidays, radio, newspapers, music, museums, tourism, the post office, libraries, and the national anthem. The documents that follow illustrate the purpose and activities of the Propaganda Ministry.

These selections are typical instructions to Germany's newspapers:

General Instruction No. 674

In the next issue there must be a lead article, featured as prominently as possible, in which the decision of the Führer, no matter what it will be, will be discussed as the only correct one for Germany. . . .

What is necessary is that the press blindly follow the basic principle: The leadership is always right! Gentlemen, we all must claim

the privilege of being allowed to make mistakes. Newspaper people aren't exempt from that danger either. But we all can survive only if, as we face the world, we do not put the spotlight on each other's mistakes, but on positive things instead. What this means in other words is that it is essential — without in principle denying the possibility of mistakes or of discussion — that it is essential always to stress the basic correctness of the leadership. That is the decisive point. . . .

The Propaganda Ministry asks us to put to editors-in-chief the following requests, which must be observed in future with particular care:

Photos showing members of the Reich Government at dining tables in front of rows of bottles must not be published in future, particularly since it is known that a large

number of the Cabinet are abstemious. Ministers take part in social events for reasons of international etiquette and for strictly official purposes, which they regard merely as a duty and not as a pleasure. Recently, because of a great number of photos, the utterly absurd impression has been created among the public that members of the Government are living it up. News pictures must therefore change in this respect.⁸

In this selection, Hitler discusses the psychological importance of evoking the public's emotions through the use of mass demonstrations:

The mass meeting is also necessary for the reason that in it the individual, who at first, while becoming a supporter of a young movement, feels lonely and easily succumbs to the fear of being alone, for the first time gets the picture of a larger community, which in most people has a strengthening, encouraging effect. The same man, within a company or a battalion, surrounded by all his comrades, would set out on an attack with

⁸Noakes, *Documents*, p. 335; Joachim Remak, *The Nazi Years: A Documentary History*, Prentice-Hall, 1969, pp. 87, 88.



Leni Riefenstahl was a noted German film director who produced striking propaganda films for Hitler, especially of the 1936 Berlin Olympics. She is shown here with Hitler.

a lighter heart than if left entirely on his own. In the crowd he always feels somewhat sheltered, even if a thousand reasons actually argue against it.

But the community of the great demonstration not only strengthens the individual, it also unites and helps create an *esprit de corps*. . . . When from his little workshop or big factory, in which he feels very small, he steps for the first time into a mass meeting and has thousands and thousands of people of the same opinions around him, he is swept away by three or four thousand others into the mighty effect of suggestive intoxication and enthusiasm, when the visible success and agreement of thousands confirm to him the rightness of the new doctrine and for the first time arouse doubt in the truth of his previous conviction — then he himself has succumbed to the magic

influence of what we designate as 'mass suggestion'.⁹

The following excerpt is from the writings of Ernst Huber, one of the leading political ideologists of the Nazi party:

[The Reich] is founded on the recognition that the true will of the people cannot be disclosed through parliamentary votes and plebiscites but that the will of the people in its pure and uncorrupted form can only be expressed through the Führer. Thus a distinction must be drawn between the supposed will of the people in a parliamentary democracy, which merely reflects the conflict of the various social interests, and the true will of the people in the Führer-state, in which the collective will of the real political unit is manifested.

⁹Adolf Hitler, *Mein Kampf*, Boston: Houghton Mifflin, 1943, pp. 478–479.

QUESTIONS:

9. Using Hitler's instructions to the press as an example, outline the instructions that you think might have been given to: (a) artists (b) libraries (c) movie producers.
10. a) Paraphrase the message that Ernst Huber was trying to express.
b) How would Huber's writings help sustain the Nazi government?
11. Locate photographs of the Nazi rallies at Nuremberg, especially those in Albert Speer, *Inside the Third Reich*, Macmillan, 1970. From the photos, describe the atmosphere created by these rallies and discuss how it was designed to win the support of the people. Remember to look at such small details as the armbands and the seating arrangements, as well as the total picture.

Education

Schools were considered important agents in the creation of proper citizens, and thus in maintaining power. In the first account, a brother and sister recall their early school

days in Nazi Germany. In the second reading, a critic of the regime remembers his feelings about Nazi education.

Every subject was now presented from the National Socialist point of

view. Most of the old lecture books were replaced by new ones which had been written, compiled, and censored by government officials. Adolf Hitler's *Mein Kampf* became the textbook for our history lessons. We read and discussed it with our master, chapter by chapter, and when we had finished we started again from the beginning. Even though we were supposed to know the contents of the book almost by heart nothing much ever stuck in my mind . . .

Our school had always been run on very conservative lines and I am sure the situation was difficult for our teachers. Most of them had been doubtful about Hitler, but unless they wanted to lose their jobs they had to make a violent turn in his direction. Even if they sympathized with my attitude towards politics, they could not afford to let me get away with it. Some of the children in each class would not hesitate to act as informers. The Government was probing into the past history of every teacher, exploring his political background. Many were dismissed and it was dangerous to act as anything but a National Socialist.¹⁰

This excerpt was taken from a Nazi history textbook that was compulsory reading for German high school students:

The Aryan: The Creative Force in Human History

In the second millennium B.C. the Aryans (the Nordic race) invaded

India and established Aryan culture there. A branch related to the Aryans created the foundations for the power and flowering of the Persian empire. Ancient Hellenic culture likewise is traceable to the blood of Nordic immigrants. . . .

The Roman Empire was founded by the Italics, who were related to the Celts. With the vanishing of the Nordic component — that is, with the disappearance of Nordic blood — the fate of these proud empires was sealed. The Goths, Franks, Vandals, and Normans, too, were peoples of Nordic blood. A renaissance took place only in the Western Roman Empire, not in its eastern counterpart, because in the west, Nordic blood developed its creative power in the form of the Longobards. Remnants of the western Goths created a Spanish empire. The spread of Christianity in northern and eastern Europe was in the main supported by Nordic people, and the Nordic longing for freedom of the spirit found powerful expression in the Reformation. It was Nordic energy and boldness that were responsible for the power and prestige enjoyed by small nations such as the Netherlands and Sweden. . . . Everywhere Nordic creative power has built mighty empires with high-minded ideas, and to this very day Aryan languages and cultural values are spread over a large part of the world, though the creative Nordic blood has long since vanished in many places. Ethnological historical research has proved that the Nordic race has produced a great many more highly talented people than any other race.

Nordic boldness not only is a precondition for the martial ex-

¹⁰George L. Mosse, *Nazi Culture*, New York: Grosset & Dunlop, 1968, p. 278.

ploits of nations of Nordic origin, but it is also a prerequisite for the courageous profession of new, great ideas.¹¹

German students were required to recite the following prayers at lunch:

Before Meals:

Führer, my Führer, bequeathed to me by the Lord,
Protect and preserve me as long as I live!
Thou hast rescued Germany from deepest distress,
I thank thee today for my daily bread.

Abideth thou long with me, forsaketh me not,
Führer, my Führer, my faith and my light!

Heil, mein Führer!

After Meals:

Thank thee for this bountiful meal,
Protector of youth and friend of the aged!
I know thou hast cares, but worry not,
I am with thee by day and by night.
Lie thy head in my lap.
Be assured, my Führer, that thou art great.

*Heil, mein Führer!*¹²

¹¹Mosse, *Nazi Culture*, pp. 79–81.

¹²*Ibid.*, p. 241.

QUESTIONS:

12. Discuss the purpose and assumptions behind the Nazi educational system.
 13. Explain why the history books emphasized the greatness of the Nordic race.
 14. a) Discuss the purpose of the prayer. What feelings was it designed to evoke?
b) Why did the Nazis place such an important emphasis on educating the youth of Germany?
 15. To what extent do you think education is important to the maintenance of democracy?
-

Youth

Hitler Youth clubs were established to assert greater control over the youth of the nation. In 1935, only those people who had participated in such clubs were eligible to enter the civil service, and the following year, membership in Hitler Youth was made compulsory. The following speech was read to new members when they joined the youth club:

Dear boy!/Dear girl!

This hour in which you are to be received into the great community of the Hitler Youth is a very happy

one and at the same time will introduce you into a new period of your lives. Today for the first time you swear allegiance to the Führer which will bind you to him for all time.

And every one of you, my young comrades, enters at this moment into the community of all German boys and girls. With your vow and your commitment you now become a bearer of German spirit and German honour. Every one, every single one, now becomes the foundation for an eternal Reich of all

Germans.

When you too now march in step with the youngest soldiers, then bear in mind that this march is to train you to be a National Socialist conscious of the future and faithful to his duty.

And the Führer demands of you and of us all that we train ourselves to a life of service and duty, of loyalty and comradeship. You, ten-year-old cub, and you, lass, are not too young nor too small to practise obedience and discipline, to integrate yourself into the community and show yourself to be a comrade. Like you, millions of young Germans are today swearing alle-

giance to the Führer and it is a proud picture of unity which German youth today presents to the whole world. So today you make a vow to your Führer and here, before your parents, the Party and your comrades, we now receive you into our great community of loyalty. Your motto will always be:

'Führer, command — we follow!'
(*The cubs are asked to rise.*) Now say after me: 'I promise always to do my duty in the Hitler Youth in love and loyalty to the Führer and to our flag.'¹³

¹³*Ibid.*, p. 357.

QUESTION:

16. a) What feelings towards both Hitler and Germany was this speech designed to evoke?
 - b) How would such speeches help maintain Hitler in power?
-

Violence

Hitler wrote in *Mein Kampf* that government authority must rely upon popularity, tradition, and power. The following historical account written in 1964 illustrates how Hitler used violence to maintain his regime:

What, then, of concentration camps? When they were established, people might have believed in good faith that they were needed for the "restoration of public order and security," to quote Article 48 of the Constitution. However, when the Nazis had firm control of all effective power — the police, the armed forces, the civil service — after all political opponents had totally disappeared from public life, after elections had "proved" that 98 per cent of

the people favored Hitler — why were concentration camps still kept up? Why were they even increased in number?

And what happened on June 30, 1934? Was it necessary to shoot opponents in their beds? Had they mounted the barricades? Could they not have been brought to trial? Should they not have been allowed their day in court? Was not the traitor Hitler allowed to organize a thorough and extensive defense at his trial in 1923? Were there in fact people in Germany at that time who did not know of these injustices? Those who lived through this period must examine their own consciences, and admit, at the very least, that they were too easily duped.

It was not due to either negligence or

accident that concentration camps continued to exist past the time when people no longer had any reason to fear the "Red danger." They formed a well-calculated part of the system. To quote Hitler:

Terrorism is an effective political tool. I shall not deprive myself of it merely because these simple-minded bourgeois "softies" take offense. These so-called atrocities render it unnecessary for me to conduct hundreds of thousands of individual raids against mutinous and dissatisfied people. People will think twice before opposing us, if they know what awaits them in the camps.

The exact fate of these unfortunate victims — the political opponents, the trade-union leaders, the clergymen, the monks, Jehovah's Witnesses, and pacifists — was only hinted at among people in the Third Reich. Those who returned from these hells had to keep silent to avoid renewed danger to themselves. In all probability, their stories would not even have been believed. Yet, it was known, or could have been known, that prisoners were sent to camps without a trial and for indefinite periods, and that there was no right of appeal.

In this day, the trials before German courts of former concentration camp commandants and guards have given all of us an insight into the grisly realities of these camps. Hundreds of witnesses have revealed how limitless power unleashed evil instincts. "In the camps, everything human disappeared. We were merely objects. No normal mortal can imagine how we were treated," said one of the witnesses. Blows, beatings, and kickings were part of the daily routine, so much so that one of the accused camp-torturers declared during his trial that such measures did not constitute mistreatment! Prisoners had to do "gymnastics" until they fainted with exhaustion, or, for hours on end, had to give the Saxon

salute, i.e. remain in a deep knee-bend with arms laced behind their heads. These were merely the harmless "jokes" indulged in by the camp guards. Prisoners were whipped for the slightest offense — or for none at all; they were strapped on a rack, and ordered to execute knee-bends after being whipped; no less frequently prisoners were trussed up with hands tied behind their backs.

The life of a prisoner counted for nothing. Prisoners disliked by the guards were arbitrarily selected for injections (*abgespritzt*), which means they were murdered through injections of Phenol or Evipan, only one of a number of methods of killing. Prisoners were often trampled to death with nailed boots, or drowned in cesspools, or driven into the electrically charged barbed-wire fences of the camps, or, in an especially bestial manner, hosed to death with high-pressure water hoses. Innumerable witnesses have placed all these ghastly details on court records during many months of trials, and the defendants have admitted them.

In this system human beings had turned into "things" to such an extent that the administrative S.S. bureaus concerned "calculated the profitability" of prisoners. A prisoner was expected to live on average for nine months. During this time, according to calculations, the productivity of each prisoner was calculated to yield 1,631 Marks for the Nazi state (the total includes the profit gained from the "careful utilization of the corpse").

The trials conducted against Hitler's underlings in Ulm, Bayreuth, and Bonn have induced many Germans to ask: "How was it possible? Were there so many unrecognized sadists, criminals, and murderers among us?" There is only one answer: if the state had been based on law (a *Rechtsstaat*), they would not have found the opportunities to indulge their base instincts with impunity. The Nazi state, based on injustice (an *Unrechtsstaat*), gave them these

opportunities. It handed them the victims after depriving the latter of all right and protection, and it placed a premium on sadism and cruelty. It was the bullies and the murderers who advanced in this system, not the decent citizens.

One of the camp guards (revealingly nicknamed "Iron Gustav") testified at his trial: "In 1939, Sachsenhausen was visited by the President of the People's Court, Freisler [then the highest jurist in the country]. We showed him everything, the rack, the whipping, everything. Upon leaving Freisler said: 'Your prisoners strike me as still rather cocky. You simply have a recreation home here.' This was a confirmation for us. Everything was O.K."

Physicians on duty in the concentration camps lost all sense of values in the atmosphere of general lawlessness. They killed thousands of innocent human beings by injecting poison, or performed senseless and painful medical experiments on helpless

victims who died miserably as a result. Thus had physicians abandoned their proper profession as healers.

While all these horrors took place, only a few people knew about the full extent of the atrocities. Yet, the mere two letters KL (*Konzentrations-Lager*) — the abbreviation used by the S.S., instead of the popular KZ — inspired terror, exactly as Hitler had wanted it, as his own words bear testimony. The terror threatened anybody who dared to offer even the slightest resistance to the two main doctrines. Those ready — or at least pretending — to believe that "the Jews are our misfortune," and that "the Fuehrer can do no wrong," were able to stay out of danger.¹⁴

¹⁴Hannah Vogt, *The Burden of Guilt: A Short History of Germany, 1914-1945*, New York: Oxford University Press, 1964, pp. 220-223.

QUESTION:

17. a) Explain why the use of terror and brutality would cow rather than anger the people.
 - b) To what extent is the use of terror an important tool for the maintenance of power in a non-democratic regime?
-

A Personal View

We have now examined some of the methods used by the Nazi regime to ensure the continued support of the people. How did the people react to these measures? What follows are some actual examples.

Two German teenagers recall their feelings after Hitler's assumption of power in 1933:

One morning, on the school steps, I heard a girl from my class tell another: "Hitler has just taken

over the government." And the radio and all the newspapers proclaimed: "Now everything will improve in Germany. Hitler has seized the helm."

Hans at the time was fifteen years old; Sophie was twelve. We heard a great deal of talk about Fatherland, comradeship, community of the Volk, and love of homeland. All this impressed us, and we listened with enthusiasm

whenever we heard anyone speak of these things in school or on the street. For we loved our homeland very much. . . . We loved it, but were hardly able to say why. Until that time we had never lost many words over it. But now it was written large, in blazing letters in the sky. And Hitler, as we heard everywhere, Hitler wanted to bring greatness, happiness, and well-being to this Fatherland; he wanted to see to it that everyone had work and bread; he would not rest or relax until every single German was an independent, free, and happy man in his Fatherland. We found this good, and in whatever might come to pass we were determined to help to the best of our ability. But there was yet one more thing that attracted us with a mysterious force and pulled us along — namely, the compact columns of marching youths with waving flags, eyes looking straight ahead, and the beat of drums and singing. Was it not overwhelming, this fellowship? Thus it was no wonder that all of us — Hans and Sophie and the rest of us — joined the Hitler Youth.¹⁵

The following account outlines the choices available to the individual German after Hitler had assumed power:

Albrecht Haushofer was confronted with a serious dilemma when the Nazis came to power. There were three possibilities open to him. He could oppose Nazism openly, and run the risk of being killed and of causing persecution to his family. He could flee the country and express himself without let

or hindrance from abroad, or he could work for the regime in one capacity or another, in the hope of influencing the course of events in a peaceful direction.

He never seriously thought of open opposition to the Nazi regime, since any hostility might have produced a violent reaction, and have landed him in a concentration camp. Albrecht knew how ruthless the Nazis could be, and he had no reason to believe that the matter would be left there. At the very least his internment and fate would have caused great embarrassment to his family, especially to his half-Jewish mother, of whom he was very fond. He did not wish to take risks which might involve harm to her, physical or otherwise. This left him with the choice of either leaving Germany or of working for the Third Reich. The possibility of emigration was carefully considered, but it did not appeal to him, as he felt that he would be running away, and that outside Germany he would not be in a position to alter the actions of the German leaders.

The third course, that of working for the regime in the hope that he might tone it down, was an option more in accordance with his temperament and outlook. His intellectual vanity was such that he imagined he might be able to manipulate those with authority in the Reich.¹⁶

¹⁵Mosse, p. 275.

¹⁶James Douglas-Hamilton, *Motive For A Mission: The Story Behind Hess's Flight to Britain*, London: Macmillan, St. Martin's Press, pp. 38, 48.

QUESTIONS:

18. Explain why Hans and Sophie joined the Hitler Youth.
19. What comparisons can be made between the motives of Hans and Sophie and those of Albrecht Haushofer for endorsing the Nazis?
20. Put yourself in Haushofer's position and explain what you would have done, and why.

SUMMARY QUESTIONS:

21. Using appropriate inquiry techniques (from Unit One), write an in-depth essay explaining how Hitler retained control over the German nation.
22. Compare Hitler's authoritarian regime with the authoritarian government of Bismarck (Case Study 8), and account for the differences.
23. Using Canada as an example, discuss (a) techniques used by democratic governments to retain power (b) similarities to, and differences from, the methods used by Hitler (c) the existing safeguards that prevent the excesses of the Hitler regime.

RESEARCH QUESTION:

24. Research and write an essay on *one* of the following topics:
 - a) How Hitler's foreign policy between 1935 and 1939 might increase his support within Germany. See: T.L. Jarman, *The Rise and Fall of Nazi Germany*, New York University Press, 1964; W.L. Shirer, *The Rise and Fall of the Third Reich*, New York: Simon & Schuster, 1960; E.M. Robertson, *Hitler's Pre-War Policy and Military Plans, 1933-1939*, New York: Citadel Press, 1967.
 - b) Hitler's personality and his retention of power. See: Alan Bullock, *Hitler: A Study in Tyranny*, Harper & Row, 1962; Douglas Kelley, *22 Cells in Nuremberg*, Chilton Books, 1947.
 - c) The reasons for Hitler's rise to power. See: M. Baumont, *The Third Reich*; Kurt Ludecke, *I Knew Hitler*; T.L. Jarman, *The Rise and Fall of Nazi Germany*, New York University Press, 1964.
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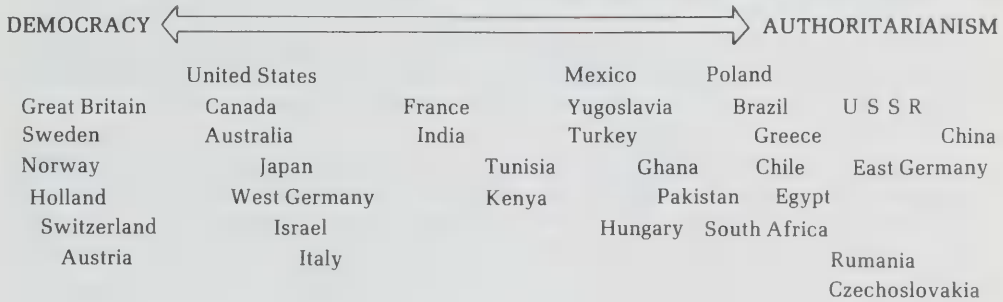


Fig. 2-4: Adapted from *Introduction to Political Science*, third edition, by Rodee et al. © 1976, McGraw-Hill Book Company. Used with the permission of McGraw-Hill Book Company.

his government than does the citizen of Canada, who has difficulty getting the attention of government clerks. However, Saudi women had no right of political petition, and the monarchy was not required to do what the male citizens asked. In addition, the monarch and his princes made all major government decisions without consulting the people. Some analysts suggest that an understanding of Saudi government can better be gained by examining the traditions of desert nomads, from which the political system came, than by comparing it to western forms of government. The Saudi government, they suggest, was a traditional government superficially adapted to the twentieth century.

Many third world governments need to be examined individually, in the light of their history and their present political and economic situation in the world. A study of many African countries, for example, should probably pay attention to tribal alliances that hold them together or threaten to split them apart. Sometimes, third world countries can adopt western ideologies (see Case Study 9 and Case Study 20), but often they try to avoid being identified with any of them.

How, then, can studying ideologies help us when we are examining governments? In

the first place, an ideology explains the basis on which all governments exist. An examination of ideologies introduces us to the study of government at its fundamental level. Once we have done some basic thinking about government in general, we are in a better position to examine specific governments.

In the second place, the study of ideologies can provide some tools in problem solving. Let us suppose that we have studied a particular government and discovered that large groups of people are so frustrated with the way the system works that they might rise up against the government and overthrow it. To what extent does the democratic ideal of citizen participation in government offer a potential solution in this particular situation? Is the solution appropriate, given the circumstances and the nature of the country?

Ideologies can also be used to evaluate our own governments. Assuming that no government is ever a perfect expression of the ideology it propounds, political ideals can be used to suggest ways for improvement. Ideologies give us a target at which to aim.

Finally, a careful study of ideologies helps us to identify our most deeply-held values.

THE WORLD'S POLITICAL SYSTEMS: SUMMARY QUESTIONS

1. Choose one of the following countries and present a report to the class which briefly outlines its political structure and what you consider to be its major strengths: Switzerland, France, West Germany, Mexico, the People's Republic of China, Yugoslavia, Japan, or a country of your choice.
 2. Imagine that Canada has adopted a totalitarian form of government. Write a fictional account of the life of a typical grade 12 student under this totalitarian regime. Remember to include some of its benefits and disadvantages. Two sources of information to aid you are: James D. Forman, *Fascism*, Chapter I, New York: Dell, 1974; George Orwell, *Nineteen Eighty-Four*, New York: Harcourt Brace, 1949.
 3. The totalitarian leader would argue that his system of government is superior to democracy because it acts more quickly and effectively in times of emergency. Prepare for a debate on this topic.
 4.
 - a) Write an essay explaining with which aspects of Canada's political system you agree, and what aspects you would like to change. Explain your selection.
 - b) If you would like to make changes, what could *you* do to promote them?
 5. Divide into small groups and design your own ideal political system. Your answer should include a discussion of how decisions are made, how the decision-makers are chosen, what rights people should have, and how these rights can be protected.
-

AN INTRODUCTION TO ECONOMIC SYSTEMS

Similarly, we are affected by the economic decisions of others, which are beyond our personal control. The construction of a large shopping mall in the suburbs might undercut your father's downtown business and result in bankruptcy and the loss of your car and home. An increase in the price of gasoline might reduce your summer trips to the cottage and lead to the purchase of a wood-burning stove.

Besides affecting personal affairs, economic issues constitute an important part of most political decisions. Should the government put off repairing roads in order to reduce taxes? How can unemployment be reduced and inflation lowered? Can working conditions be improved? Are welfare payments necessary? What role should the government play in the economy? The answers to such questions are extremely important, not only in themselves, but also because, as history has shown, economic depression and unemployment have contributed to discontent, revolution, and wars.

Material in this introduction is derived largely from: Macdonald, Silk, Saunders, *The World of Economics*, pp. 2-4, 24, 30, 42-46; and Paul Samuelson, A. Scott, *Economics*, fifth Canadian edition, McGraw-Hill Ryerson, 1980, pp. 3-4, 17-18, 41-43.

If Canadians followed the suggestion made here, what would be the effects?

CP Photo



SCARCITY

Despite a rapid improvement in the standard of living in the western world during the last century, the vast majority of people still do not have everything they desire. You might find, for example, that when you look at your own bank account, you do not have enough money to buy a stereo or to purchase a new wardrobe. In other words, when it comes to satisfying all your desires, you don't have enough money. There are never enough available resources to satisfy everyone's demands. This scarcity is a fundamental fact of economics — it is the fact from which the study of economics originates. According to one popular definition, economics "is the science that investigates problems arising from the *scarcity* of resources and goods that can be used to satisfy human wants. It studies how men allocate and develop their scarce resources to satisfy their wants and needs in a way that

is compatible with the basic values of their societies."¹

Scarcity is, of course, a relative term. For many people in Asia, Africa, and South America, it can mean not having enough food to eat, whereas for many North Americans, it can simply mean not having a colour television. Most Canadians have the basic necessities of life (food, shelter, and clothes); what they desire are more consumer goods, such as stereos, cameras, stylish clothes, and automobiles. Because of the discrepancy between these desires and the resources necessary to supply them, people must choose which goods they want. Hence, economics is also called the science of choice.

¹P. Saunders, L. Silk, A.H. MacDonald, *The World of Economics*, second Canadian edition, Scarborough: McGraw-Hill Ryerson, 1979, p. 24.

BASIC ECONOMIC QUESTIONS

To satisfy their wants, people must decide how best to use their time and energy, what to purchase, how much money to save for future needs, and how to increase their incomes. Similarly, because no society can avoid the problems created by the scarcity of resources, each nation must decide how its limited resources can best be used to meet the needs of the country. Every society, tribal or industrial, must confront these three questions:

1. *What goods should be produced?* Should we grow wheat, manufacture machinery, educate the populace, or defend the nation?
2. *How should these goods be produced?* By what people, using which resources and what techniques, will goods be produced? Who should farm? Who will work in the factories? Should we grow wheat with few people and many machines, or should we use more people and machinery, but less land?
3. *How much should everyone get of what is produced?* In Canada, there are not enough homes for every family. Who should have them? Should a few people receive most of the goods, or should the nation's resources be divided evenly?

Canada, Sweden, the USSR, Cuba — indeed, every nation in the world — must solve the three basic economic problems of “what,” “how,” and “how much.” The institutions and practices that each nation establishes to meet these questions form an *economic system*. Although many methods have been used in the past to organize an economy, three broad categories can be distinguished: economies run by *tradition*; economies run by *central direction*; and economies run by the *market*. Although none of these three types exists in pure, undiluted form, it is useful to examine the workings of each system.

In traditional economic systems (such as many tribal societies), the customs of the people determine how society will function. To the question of what to produce, the traditional economy answers, “produce what has always been produced.” Similarly, a traditional economy solves the question of how by replying, “as we have always done it.” Children, for example, are expected to follow in their parents’ footsteps. The distribution of goods is also determined by customs and force of habit.

In a centrally-directed economy — often called a socialist, communist, or command system — the nation’s resources are owned and controlled by the government, which makes all major economic decisions.

The market economy, on the other hand, solves the problems of production and distribution by allowing individuals to make their own economic decisions. In this system — also called private enterprise or capitalism — the nation’s resources are privately owned and government does not intervene in the economy.

No society relies exclusively on the traditional, central direction, or market system, although most societies rely more heavily on one type than on the other two. In most modern industrial nations, the market and the centrally-directed systems have merged into a hybrid form called the *mixed economy*. In Canada, for example, the country’s resources are generally privately owned, but the government often intervenes in the economy to try to rectify such social ills as unemployment and poverty.

While it is useful to establish categories, it is not an easy task to label the different economic systems existing in the world today. In the real world, economies are complex and dynamic; every nation’s economic system has undergone tremendous changes over the last century. Moreover, capitalism in Canada is not the same as capitalism in Japan, the United States, or Great Britain, and Soviet communism differs from both Cuban and Chinese communism. Finally,

the values or ideology of each economic system affect all aspects of a society, tending to become confused with politics and

political ideologies. It is impossible to completely separate political systems from economic systems.

QUESTIONS:

1. If everyone was an economist, would controversies on economic matters be eliminated? Explain.
 2. How does your family solve the three basic economic questions?
 3. Make a list of questions you would like answered before you would be equipped to decide which economic system you prefer.
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CHAPTER 3

THE WORLD'S ECONOMIES: PRIVATE ENTERPRISE

As we pointed out in the introduction, each nation must decide which goods it would most like to have, what resources will be used in their production, and how these goods will be distributed among the people. These decisions are difficult to make because each one opens up a whole range of overlapping problems which must be co-ordinated if the economy is to run smoothly and efficiently: what type of work should each Canadian do? What will their salaries be? How many automobiles should be produced, and what proportion of them should be stationwagons? Should Prince Edward Island concentrate on growing wheat, potatoes, or on raising livestock? The purpose of this chapter is to describe how, in *theory*, the private enterprise economic system solves the three basic economic problems. We will then analyse how well it operates in *practice*.

ORIGINS OF PRIVATE ENTERPRISE

The private enterprise system has been growing in Europe since the Middle Ages, when merchants financed trading voyages

and created personal fortunes as such ventures prospered. Financial devices such as cheques, insurance, interest, and joint stock companies developed, and the idea was accepted that people were entitled to some reward if they risked their money. In the fifteenth and sixteenth centuries, European explorers returned with huge quantities of gold and silver from North and South America. Europe reaped the benefits in the form of a great new burst of commercial activity and private enterprise ventures. At the same time, the Protestant Reformation brought changes in religious beliefs: the Calvinists, in particular, laid stress on the value of hard work, thrift, and material growth. Many people came to believe that personal prosperity was a divine reward for hard work and wise investments.

Even so, European governments believed that private enterprise had to be controlled. From the sixteenth to the eighteenth centuries, European governments adopted protectionist economic policies in order to strengthen and unify their individual countries. Almost everybody accepted the basic mercantilist idea that economic activity

was too important to be left to individual businesses. In practice, this bred government policies designed to regulate industry, trade and commerce. Industry was encouraged by protective tariffs designed to limit imports from other countries. England, for instance, forbade the purchase of French and Italian silks, while France prohibited imported printed cottons from Britain. For the same reason, skilled artisans were forbidden to leave their countries. Restrictions were widespread: workshops and their products were regularly inspected for quality; certain artisans were given a local monopoly for their products; the size, weight, quality, and price of cloth were fixed by the state; goods produced in the colonies could only be exported to the mother country, and then only in ships belonging to that nation.¹

Toward the end of the seventeenth century, some merchants in England and France began to complain about these regulations. In the late eighteenth century, British philosopher David Hume insisted that government should not interfere with foreign trade. Simultaneously, in France, a school of economic philosophers called the *physiocrats* developed the slogan *laissez-faire*, meaning "hands off," or "let the government leave the economy alone." The culmination of *laissez-faire* thinking came when a Scottish professor named Adam Smith published the *Wealth of Nations* in 1776.

Although many people have disagreed with Smith's ideas, his book remains one of the great classics of economic thought. Two centuries later, the model of an economic system he described in 1776 is still defended by a number of modern economists. Reacting to the restricting

economic laws, Smith advanced this novel viewpoint:

Every individual is continually exerting himself to find the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society. . . . In this case, as in many other cases, he is led by an invisible hand to promote an end which was no part of his intention. I have never known much good done by those who affected to trade for the public good.

In effect, Smith claimed that government laws and restrictions hindered, rather than promoted, economic growth. There was no need to plan the economy since, if people were free to pursue their own self-interest (which Smith believed to be one of man's basic psychological drives), the sum of individual actions would automatically work for the betterment of society. To ensure that such a "natural" economic law would operate effectively, government was not to interfere in the economy. The government's role would be restricted to protecting the country against foreign enemies, ensuring competition, maintaining law and order, and protecting individual property rights.

This was the doctrine of private enterprise — an economic system based upon private property, competition, profit, and the freedom to buy and sell.² It was another generation before the British government slowly adopted the doctrines of *laissez-faire*.

¹Canadian fur, timber, and wheat, for instance, were only allowed to be shipped within the French and, after the British Conquest in 1760, British empires.

²The term *private enterprise* refers to the fact

The development of modern capitalism is usually associated with the Industrial Revolution and the emergence of large-scale factory production. By 1860, Great Britain was the workshop of the world, retaining few traces of the old economic order. With the success of British capitalists and inventors, the ideas of free enterprise soon spread throughout western Europe and on to North America. But it was the work of British inventors and capitalists in the late eighteenth century and early nineteenth century that provided the strongest argument in favour of private enterprise. Through a series of inventions, especially the steam engine, British inventors had created new methods of large-scale production. British capitalists invested vast sums of money in order to purchase these machines and create factories in which large-scale production could take place. In addition, improvements in agriculture made it possible to feed the large numbers of factory workers, while changes in transportation and communication made it possible both to seek out new markets for the products of the factories and to transport the goods to these buyers. All of these changes transformed Great Britain during the nineteenth century, bringing about an Industrial Revolution.

Allowing business people to do what they want does not seem like a "system," and freedom from government interference is not much of an economic plan. To discover how the private enterprise system is supposed to work, let us examine how it determines what is produced, how it is

produced, and to whom the goods are distributed.

THE MARKET ECONOMY

The private enterprise economy is sometimes described by its supporters as a miracle because it co-ordinates the complex decisions and activities of millions of diverse individuals and enterprises in a reasonably orderly and efficient manner, without the help of a central co-ordinating authority. Nobody designed it — it just evolved.

The system can best be understood by examining the way in which traditional marketplaces were organized. At some location in a village or town, an open space was set aside where sellers presented their goods and buyers examined these goods. When buyers wished to purchase, they would bargain with a seller until a mutually agreeable price was established. If the seller charged too much, the buyer could go to another merchant; if the buyer was not willing to pay what the seller believed was fair, the merchant could sell to someone else. The selling price, therefore, was usually a compromise between what the buyer was willing to pay and the seller considered a fair return.

The theory of the private enterprise economy is an extension of this mechanism, operating as though an entire economy is like a village market where each person or enterprise is free to buy or sell on the open market. Each buyer attempts to buy at the lowest possible price and each seller tries to sell at the highest possible price. It is naturally more advantageous to make and sell commodities that people are most interested in purchasing. If there is little demand for a particular product, its producers will stop making it and turn instead to making products that people want to purchase. If an enterprise is not able to adjust to people's shifting demands, it will go out of

that most economic concerns are operated by private groups rather than government agencies. This system is *also* called *free enterprise* (because the individual is free to conduct business without interference), *capitalism* (because individuals are allowed to own capital goods), and the *price system* or *market economy* for reasons which will soon be evident.

business, while its more adaptable competitors will survive. In order to sell its products and make a profit, each enterprise will try to produce its goods more cheaply and offer them for sale at a lower price than its competitors. To do this, the businessperson must either cut costs by producing more efficiently, or accept a smaller profit. The system thus helps to ensure that the economy is responsive to the demands of consumers and uses the most efficient means of production.³

The mechanism which co-ordinates the multitude of economic decisions carried out in the market place is the *price system*. Prices perform three interrelated functions: they transmit information about consumer demands and the available supply of goods; they provide an incentive to produce those goods that are in demand, and to do so by the least costly methods; they determine the distribution of income. The following examples illustrate how the price system performs these functions:

1. Hamburgers vs. Fried Chicken

Imagine what would happen if a fast food hamburger chain devised a catchy new advertising campaign that persuaded a large number of teenagers to switch from buying fried chicken to eating hamburgers. As the number of people wanting to buy hamburgers (the demand) increases, the number of available hamburgers (the supply) will decrease until there will be a shortage of hamburgers. On the other hand, there will be more chicken available than there will be people willing to buy it. This situation will allow the hamburger chain to increase the price of hamburgers, while those restaurants selling chicken will be forced to lower their prices in order to sell the

surplus supply of chicken. The increase in the price of hamburgers might:

- a) reduce the number of people willing to buy hamburgers at the new price
- b) encourage farmers to raise cows rather than chickens
- c) lead to the production of substitutes for hamburger meat, such as soybeans or minced pork
- d) encourage other firms to enter the hamburger business and share in the high profits.

In the long run, these four changes would combine to reduce the shortage of hamburgers and lower the price. The same circumstances would influence the production of chicken — only in reverse. As the supply of chickens fell below the demand for them, their price would increase and ultimately, more chickens would be raised.

In this way, the price system determines what will be produced (hamburgers or chicken); how human and natural resources (the farmer's land and labour) will be allocated; and who will get what (those who can afford hamburgers will buy them). In short:

- An increase in price removes shortages by reducing the demand and increasing the supply.
- A decrease in price removes a surplus by discouraging production and encouraging people to buy more.

The price system thus creates a balance between supply and demand. If there is a scarcity of one particular item and consumers want it badly enough, they will be willing to pay such a high price that others will be encouraged to manufacture it. This system of rewards (profit) and punishments (losses) ensures that the wants of consumers are taken into account, and that those items not in demand will not be produced.

³This paragraph was adapted from J.P. Wogan, *The Great Economic Debate*, Philadelphia: Westminster Press, 1977, p. 78.



A consumer in a large chain store compares similar products on the basis of price. Price can have what is described as a *substitution effect*: if products are similar, the rise in price of one product relative to the price of another can lead to the substitution of that product with the other. Thus, if a consumer finds that a favourite product is no longer the best buy, the manufacturer may find a resultant drop in the sale of that product.

Loblaws Limited

2. Lead Pencils

Suppose that for whatever reason, there is an increased demand for lead pencils, perhaps because a baby boom increases school enrolment. Retail stores will find that they are selling more pencils and will order more pencils from their wholesalers. The wholesalers will order more pencils from the manufacturers and the manufacturers will, in turn, order more wood, more brass, more graphite — all the products used to make a pencil. In order to induce their suppliers to produce more of these items, they will have to offer higher prices for them. Higher prices will induce suppliers to increase their work force to meet the higher demand. To get more workers, they will

have to offer higher wages or better working conditions. In this way, ripples spread out over ever-widening circles, transmitting to people all over the world the message that there is a greater demand for pencils — or, to be more precise, for some product they are engaged in producing.⁴

Prices not only transmit information from prospective buyers to retailers, wholesalers, manufacturers, and owners of resources, they also transmit information the other way. Suppose that a forest fire or a strike reduces the availability of wood.

⁴Milton and Rose Friedman, *Free to Choose: A Personal Statement*, New York: Harcourt Brace Jovanovich, 1980, pp. 14–16, 18–19.

The price of wood will go up. That will tell the manufacturer of pencils that it will pay him to use less wood and it will not pay him to produce as many pencils as before, unless he can sell them for a higher price. Lower production of pencils will enable the retailer to charge a higher price for them, and the higher price will inform consumers that it will pay them either to wear pencils down to a stub before discarding them, or to switch to pens.

So far, we have discussed the incentive effect of pricing in terms of producers and consumers. But it also operates with respect to workers and owners of resources. An increase in demand for wood will tend to produce higher wages for loggers; this is a signal that labour of that type is in greater demand than before. Higher wages give workers the incentive to act on that information, with the result that some workers, who were indifferent to the type of job they had, may now choose to become loggers, and more young people entering the labour market may also become loggers.

PROFIT AND COMPETITION

The belief in private property and competition is central to the private enterprise system. Profit, whether measured in terms of land, money, happiness, or factories, is the reward (or incentive) for those who are successful in the business world. Without private ownership, it is argued, there would be no incentive for individuals to do their best. By permitting people to accumulate private wealth, the economic system encourages them to save their money and invest it in profitable areas of the economy. Although the profit motive may appear selfish, it promotes research and savings, and leads ultimately to greater productivity and wealth for all. Those who provide these services receive their reward based upon their ability to satisfy the people's desires. The following example illustrates

how the profit incentive operates:

At the eastern edge of your home town . . . there is a ten-acre plot of ground owned by Mr. Richard Andrews. It adjoins an area that is "going commercial," and last month Mr. Andrews was offered an excellent price for selling his land to the Burke Manufacturing Company, a firm that wished to build a new branch plant in Elmwood. Mr. Andrews knew that if he sold his acreage to this company, he would receive much more for it than if he continued to lease it to Mr. Gary Harr, a farmer who presently grows vegetables on it. Likewise, the land would earn much more profit for the Burke Manufacturing Company than it would earn for the farmer. That, of course, is why the company could, and did, bid higher for its use.

It was the profit incentive that encouraged the company to buy the land. It was the profit incentive that guided Mr. Andrews to accept the higher offer. Here is a case in which the profit incentive decided how this particular plot of ground would be utilized.⁵

The private enterprise system is based on the *apparent* near-universality of humanity's materialistic nature. In the desire to accumulate goods, people have unconsciously created the mechanisms of private enterprise. Although some people may have more ability to acquire material wealth than others, the system ensures that even the most selfish people must serve

⁵K. Dolbeare, *et al.* (eds.), *Readings in American Ideologies*, Markham Publishing Corp., 1973, pp. 39-40. A reprint from *Profits and the American Economy*, U.S. Department of Commerce, 1965.

society if they desire to get ahead. The market economy, however, does not put any moral pressure on people to be either selfish or unselfish. The same price is established whether the buyers' motives are selfish or altruistic; whatever the motive, the system translates individual economic actions into the greater good.

For private enterprise to function smoothly, individual enterprises must seek to maximize their profits; consumers must be kept informed of the different prices of each item offered for sale; both must make buying and selling decisions based upon self-interest; and no individual or group of buyers (or suppliers) should be able to control or manipulate the price of any item (such as in monopolies). Automobile firms, it follows, should attempt to make as much money as possible, and no one company should be allowed to convince the other firms to agree upon a set price — otherwise the consumers would be forced to pay more than they should. At the same time, if prospective automobile buyers do not "shop around" to compare the price and quality of each car, and if they do not base their decisions upon the merits of each automobile, then there would be little reason for the companies to compete with each other by lowering prices or by manufacturing more efficient automobiles.

The system also requires a great deal of competition for jobs, customers, and goods. If, for example, there was only one hockey stick manufacturer, that company could simply increase the price and everyone who wanted a stick would have to pay the higher price. In a competitive situation where there are several dozen manufacturers all producing the same product, each company attempts to sell more hockey sticks by lowering the price or improving the quality. This competition ensures that hockey players are charged a fair price for their sticks, and that the manufacturer will produce them in the most efficient way

possible. The company which fails to make the best use of the available human and natural resources will be forced into bankruptcy, because the high costs of production will increase the price of its products. Similarly, if there are large numbers of workers looking for jobs — and they have not made an agreement among themselves — the competition for work will prevent wages from rising above an acceptable level.

A SUMMARY

The private enterprise system solves the three basic economic problems in the following manner:

WHAT goods are produced is determined by the demands of consumers. If consumers will pay enough money for chocolate bars, then chocolate bars will be produced. If consumers shift their preferences to popsicles, then more popsicles and fewer chocolate bars will be produced.

HOW goods are produced is determined by competition among producers to sell their goods. To earn the greatest possible profit, producers will select the cheapest possible method of production. If it is cheaper to dig a tunnel using men equipped with picks and shovels than to use a bulldozer, then this is how it will be done. However, if the cost of gasoline drops and the wages of labourers increase, then the bulldozer will replace the picks and shovels.

WHO gets what share of the goods that are produced is determined by supply and demand. If the demand for a person's skill is greater than the supply of that skill, then the person will command a larger income than someone whose skill is in less demand *relative* to its supply. By skill, we mean such talents as singing and playing tennis, as well as the ownership of property (rents) and money (interest rates).

THE VALUES OF PRIVATE ENTERPRISE

The private enterprise system stresses freedom—freedom of trade (no monopolies or government regulations) and freedom of choice (where to work, what to produce, what price to charge, and what to buy). The private enterprise system also stresses the importance of the individual, yet the individual is not idealized. People are portrayed neither as self-seeking beings interested only in their own welfare, nor as enlightened, rational human beings. Individual goals are emphasized over the needs of society because the free enterprise system assumes that when each person carries out these goals the society as a whole will also benefit.

Finally, the system is based upon a belief in the virtues of self-reliance, initiative, hard work, progress, and production — and the more, the better. The following list summarizes the major characteristics of the private enterprise system:

- Private property
- The price system
- Competition
- Freedom to buy and sell
- The profit motive
- No government interference

In the Case Studies that follow, we will examine how closely the market economy approximates these ideals. Remember that your evaluation of existing market economies will depend partly upon your own values and goals. What, for instance, do



The 1930s' drought in the prairies and low prices for foodstuffs prevented most western Canadian farmers from meeting their mortgage payments. Banks and loan companies threatened to foreclose and remove farmers from the land they had tilled for generations. In 1981, high interest rates led to another spate of foreclosures. Bankers and farmers have traditionally supported private enterprise. How might this situation change farmers' support of private enterprise? Can you think of anything which might cause the banks to modify their position on private enterprise?

you most want the economic system to do: encourage private initiative, use the nation's resources efficiently, develop the country's military capabilities, promote rapid industrialization, improve the quality

of life, or distribute society's resources fairly and evenly? Your priorities will influence your judgement about how closely our economy ought to conform to the ideal system.

QUESTIONS:

1. If a three-dimensional television was invented, how would the private enterprise system decide the answers to the following questions:
 - a) How many three-dimensional television sets should be manufactured?
 - b) Should they be built mainly by hand or by automation?
 - c) How much should they cost?
 2. What would happen to the supply of T-bone steaks if their price suddenly increased: (a) in the short run (b) in the long run?
 3. Define the following terms: marketplace; supply and demand; *laissez-faire*.
 4. Many Marxists believe that people in a private enterprise society are selfish because their economic system has made them that way. Do you agree? Explain.
 5. If all the workers in the margarine industry received a large pay increase, what might happen to: (a) the demand for butter (b) the supply of margarine (c) the price of margarine?
 6. Explain why competition and private property are so crucial to the private enterprise system.
 7. In the market economy, the price of one item is dependent upon the prices of many other goods. As a result, a change in the price of one product can affect the prices of many other products. Explain how each of the following examples could have occurred:
 - a) A war in the Middle East increases the cost of firewood in Nova Scotia.
 - b) Large forest fires in northern Ontario cause the price of this book to increase.
 - c) A strike of coffee labourers in Brazil forces up the price of tea.
 - d) Heavy migration of people to Alberta raises rents in that province.
 - e) Higher interest rates cause unemployment in the automobile industry.
 - f) Sales of wheat to the USSR lead to higher hamburger prices.
 8. Explain why proponents of private enterprise oppose government involvement in the economy.
 9. How does the market economy ensure that the nation's resources will be used efficiently?
 10. Do you think that it is desirable to entrust important economic decisions to private individuals and firms who in theory are motivated solely by profit? Explain. If you believe that it is undesirable, what are the alternatives?
 11. "It has always seemed strange to me," said Doc. "The things we admire in man, kindness and generosity, openness, honesty, understanding and feeling are (symbols of) failure in our system. And those traits we detest, sharpness, greed, acquisitiveness, meanness, egotism, and self-interest are the traits of success. And while men admire the quality of the first, they love and produce the second." To what extent is this excerpt from John Steinbeck's novel *Cannery Row* applicable to the private enterprise system? Explain your point of view.
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THE CASE FOR PRIVATE ENTERPRISE

Milton Friedman is the most prominent advocate of *laissez-faire* capitalism within the ranks of professional economists. His view is as follows:

Everywhere in the world there are gross inequalities between the poor and the wealthy. Few can fail to be moved by the contrast between the luxury enjoyed by some and the grinding poverty suffered by others.

In the past century, a myth has grown up that free enterprise capitalism increases such inequalities, and that it is a system under which the rich exploit the poor.

Nothing could be further from the truth. Wherever the market economy has been permitted to operate without interference, wherever anything approaching equality of opportunity has existed, ordinary people have been able to attain levels of living never dreamed of before. Nowhere is the gap between rich and poor wider, nowhere are the rich richer and the poor poorer, than in those societies that do not permit the market to operate without government interference. That is true of feudal societies as in medieval Europe, and much of modern South America. It is equally true of centrally-planned societies, such as Russia . . .

Industrial progress, mechanical improvement, all of the great wonders of the modern era have meant relatively little to the wealthy. The rich in ancient Greece

would not have benefited very much from modern plumbing because servants brought all the water the rich needed. The same is true for television and radio, since the wealthy could bring the leading musicians and actors to their homes. Other advances would have added very little to their life that they did not already possess. Modern capitalism has thus benefited the poor much more than it has aided the wealthy. It has brought conveniences that were the sole preserve of the rich to everyone. . . .

Industrial production, technological advances, and just plain hard work are dependent upon the desire for profit. What incentive does a producer have to make goods as efficiently as possible if it will not result in some sort of personal reward? If a hockey player's salary would be the same whether he skated hard or not, why should he try? He might do so for a while, but why would he work hard for nothing? Would you?

Why should you make the effort to start a new business, invent a new manufacturing process, or invest your money, if there was no reward? Human beings need the incentive provided by the private enterprise economy.¹

¹Milton and Rose Friedman, *Free to Choose: A Personal Statement*, New York: Harcourt Brace Jovanovich, 1980, p. 23, pp. 146-148. Abridged and modified for this study.

QUESTIONS:

1. Summarize Friedman's ideas in five or six sentences.
2. What information would we need before we could judge the accuracy of Friedman's statements?
3. If you were a hockey player, would you agree with Friedman's statements? Explain.
4. Do you *personally* agree with each of his first two major arguments? Explain.

5. a) What criteria do capitalism's supporters use to evaluate a person's worth to society?
b) What other methods of evaluation could be employed?
6. What is the major difference between the replies to the criticism that capitalism creates inequality?

Claim 2: Economic Freedom

Some critics believe that capitalism is morally objectionable because it stresses the profit motive. This, they say, tends to corrupt individuals by over-emphasizing acquisitiveness and materialism. The profit motive, they argue, stimulates personal greed, rather than the desire to serve the common good. In the scramble for money, people yield to the temptation to cut corners and to use unscrupulous business practices instead of maintaining ethical standards. Capitalism's supporters dispute this. Prices and wages are determined by the law of supply and demand, not by people's greed.

Milton Friedman defends the market economy on the following grounds:

Perfection is not of this world. There will always be poorly-made products, quacks, and con artists. But on the whole, the private enterprise system protects the consumer better than those systems that depend upon government involvement in the economy.

As Adam Smith said, competition does not protect the consumer because business-people are altruistic or generous, or even

because they are more competent, but only because it is in the self-interest of business to serve the consumer.

If one merchant offers you goods of lower quality or of higher price than a second merchant, you will not return to the first store.

The central feature of the market economy is that it usually prevents one person from interfering with another. Consumers are protected from coercion by sellers because of the presence of competitors. Sellers are protected from coercion by consumers because of other consumers to whom they can sell. Employees are protected from coercion by the employer because of other employers for whom they can work, and so on.

Indeed, a major source of objection to a free economy is precisely that it does this task so well. It gives people what they want instead of what a particular group thinks they ought to want. *Underlying most arguments against the free market is a lack of belief in freedom itself.*²

²Friedman, *Free to Choose*, p. 223; Milton Friedman, *Capitalism and Freedom*, University of Chicago Press. Abridged.

QUESTIONS:

7. Attempt to devise an example in which a person in a free enterprise economy would not be free.
 8. Explain what Friedman means by "freedom."
 9. To what extent do you think capitalism promotes economic freedom?
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Claim 3: Coercion vs. Free Will

Critics of capitalism point out that the system relies heavily on the belief that the people know what is in their own best interest. But do consumers in fact have enough knowledge to make intelligent decisions? Few people, for example, possess the technical know-how to decide upon the best medicines to take. By the time the harmful effects of some drugs are known, it can be too late. The solution would seem to be government regulation — only government control, some critics state, can cure the abuses of capitalism.

Rand, Friedman, and their supporters, disagree. The evils and abuses that are normally blamed on capitalism, they state, are not caused by the market economy, but by government intervention in the economy. Let us once again turn to the ideas of Friedman:

Fundamentally, there are only two ways of co-ordinating the economic activities of millions. One is central direction involving the use of coercion by the modern totalitarian state. The other is voluntary co-operation of individuals by the market place.

Many intellectuals, even in our democratic societies, take for granted that free enterprise capitalism exploits the masses, whereas central economic planning is the wave of the future that will set their countries on the road to rapid economic progress.

The facts themselves are very different. Wherever we find any large degree of individual freedom and wide-spread hope of further progress in the future, there we also find that economic activity is organized mainly through the free market. Wherever

the state undertakes to control the economic activities of its citizens, ordinary citizens have little political freedom, a low standard of living, and little power to control their own destiny.

The most obvious example is the contrast between East and West Germany. People of the same blood, the same civilization, the same level of technical skill and knowledge inhabit the two parts. Which has prospered? Which had to erect a wall to pen in its citizens? Which must man it today with armed guards, assisted by fierce dogs, minefields, and similar devices of devilish ingenuity in order to frustrate brave and desperate citizens who are willing to risk their lives to leave their communist paradise for the capitalist hell on the other side of the wall?

On one side of that wall the brightly-lit streets and stores are filled with cheerful, bustling people. Some are shopping for goods from all over the globe. Others are going to the numerous movie houses or other places of entertainment. They can buy newspapers and magazines expressing every variety of opinion. They speak with one another or with strangers on any subject and express a wide range of opinions without a single backward glance over the shoulder. A walk of a few hundred feet, after an hour spent in line, filling in forms and waiting for passports to be returned, will take you, as it took us, to the other side of that wall. There, the streets appear empty; the city, gray and pallid; the store windows, dull; the buildings, grimy. One hour in East Berlin is enough to understand why the authorities put up the wall.³

³Friedman, *Capitalism and Freedom*, pp. 69–70; *Free to Choose*, pp. 54–55.

QUESTIONS:

10. What are Friedman's objections to government planning?

11. What connection does Friedman make between economic systems and political systems?
 12. Outline Friedman's attitude toward totalitarianism, as revealed in the preceding selection.
 13. (a) Is Friedman's comparison between East and West Germany a valid method by which to evaluate the advantages of capitalism vs. state planning? Explain.
(b) What additional information would you like to know about East and West Germany? Why?
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Claim 4: Freedom

One of the most frequent criticisms of the capitalist system is that money creates power — not only economic power, but political power. Through the use of skillful lobbying, expensive lawyers, contributions to political parties, and control of the media, businesspeople are able to influence, if not dictate, government legislation. Supporters of private enterprise disagree. Indeed they believe that political freedom, even with all its flaws, is probably the most important benefit of capitalism. Ayn Rand, for example, states that capitalism is the only system that allows people to be free. All human relationships are voluntary and, most important, because everyone has private property, all are free to disagree.

Milton Friedman expands upon Rand's ideas:

It is widely believed that politics and economics are separate and largely unconnected; that individual freedom is a political problem and material welfare an economic problem; and that any kind of political arrangements can be combined with any kind of economic arrangements. But such a view is a delusion. There is an intimate connection between economics and politics, and only certain combinations of political and economic arrangements are possible. A society which is Marxist cannot also be truly

democratic.

In addition to providing economic freedom, capitalism promotes political freedom by separating economic power from political power and in this way enables the one to offset the other. This prevents power from being concentrated in only a few hands.

Historical evidence speaks with a single voice on the relation between political freedom and the market economy. I know of no historical or contemporary society that has a large measure of political freedom without also employing the market economy.

A free society releases the energies and abilities of people to pursue their own objectives. It prevents some people from arbitrarily suppressing others. It does not prevent some people from achieving positions of privilege, but so long as freedom is maintained, these positions of privilege are subject to continued attack by other able, ambitious people. Freedom preserves the opportunity for today's underprivileged to become tomorrow's privileged and, in the process, enables almost everyone, from top to bottom, to enjoy a fuller and richer life.⁴

⁴Friedman, *Capitalism and Freedom*, pp. 65–67; *Free to Choose*, pp. 148–149.

QUESTIONS:

14. Explain how capitalism might promote *political* freedom.
15. To what extent do you agree with Rand's and Friedman's views on capitalism and freedom? What is their definition of freedom? What is your definition?

SUMMARY QUESTIONS:

16. Prepare for a debate on one of the following topics:
 - a) Government planning is dangerous because it combines political power with economic power.
 - b) Economic planning and political freedom are perfectly compatible.
 - c) Economic freedom is necessary for political freedom.
17. Critics of *laissez-faire* capitalism argue that the period of the "robber barons" in the United States, just before 1900, illustrates what happens when a "pure" capitalist system is allowed full play. Their opponents counter that this period saw a perversion of "pure" capitalism into a very "impure" monopoly capitalism, and that it must not be taken as an example of what capitalism can really do. Using appropriate inquiry techniques (see Unit One), prepare a report on this period which discusses the power of these robber barons, the extent of political and economic freedom, and the advantages and disadvantages of *laissez-faire* capitalism.

Useful sources include: Earl Latham, (ed) *John D. Rockefeller: Robber Baron or Industrial Statesman?*, Boston: Heath, 1949; Burton J. Hendrick, *The Age of Big Business*, New Haven: Yale University Press, 1921; Thomas C. Cochran, *The Age of Enterprise*, New York: Harper, 1961; Matthew Josephson, *The Robber Barons*, New York: Harcourt, Brace & World, 1962; Allan Nevins, *Study in Power: John D. Rockefeller, Industrialist, Philanthropist*, New York: Scribner, 1953.

18. Read Ayn Rand's novel *Atlas Shrugged* (New York: Random House, 1957) and outline her view of the ideal businessperson and the role of government.
 19. Read Milton Friedman's analysis of the educational system and report his opinions to the class. See Milton & Rose Friedman, *Free to Choose: A Personal Statement*, New York: Harcourt Brace Jovanovich, 1980, Ch. 6.
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INDIVIDUAL FREEDOM VS. GROUP WELFARE

SETTING THE STAGE

until 1903, when several men working for the government-owned and operated Temiskaming and Northern Ontario Railway discovered silver nuggets near the shore of Cobalt Lake. The T. & N.O. Railway Commission then subdivided the townsite into lots, auctioning off a portion of them in 1905. The largest purchaser of land was the Coniagas Mining Company which, prior to the auction, had persuaded the T. & N.O. Commission to sell them a large portion of the surface rights to the land in the northwest section of the town. After the auction, Coniagas purchased all the unsold lots and attempted to persuade the Commission to include the mining rights to those streets which remained open within their parcel of land. Although this request was turned down, the Ontario government reserved all mineral rights for Coniagas and granted it "full liberty of ingress, egress and regress" for the purpose of searching for, working, and carrying away the minerals. To facilitate the work, the mine was given the right to use any of the land "for depositing, placing and heaping the minerals, waste rubbish and other substances" which were taken out of the mines. This meant that those people who had "bought" the land lying



In this photograph, taken in the early 1900s, you can see the towers of an aerial tramway crossing above a Cobalt street.

Doug Baldwin

north and west of the Imperial Bank at the T. & N.O.'s auction sale in 1905 could be required to vacate their property at a moment's notice, without compensation. As the population in and around Cobalt grew to approximately twenty thousand, these privileges granted to Coniagas became more and more troublesome and restricting.

Mining operations were a constant source of annoyance to the citizens. Cobalt was surrounded by mining companies which sunk deep shafts into the ground in pursuit of veins of silver. Because the silver ore was embedded in other minerals, the mining companies built separate buildings (concentration or flotation mills) to separate the valuable ore from the worthless rock. To transport the ore from shaft to mill, several companies erected aerial tramways which carried the ore in buckets

above the streets of the town. When one mine miscalculated the height of its elevated tramway, the road had to be deepened to allow the ore to pass safely overhead. Ultimately, the street had to be diverted. Another company operated a diamond drill in the middle of town, which not only destroyed the street, but kept up a continuous racket day and night. At the north end of town, a mill continued to overflow onto the streets until the town council was able to obtain a court order to have it stopped. During these early years of the town's existence, Cobalt was forced to engage a lawyer almost solely for the purpose of preventing the mining companies from infringing on its rights.

Despite these problems, the citizens knew that Cobalt could not exist without the silver mines. The town had sprung up to serve the mining companies. It was also

true that these firms had not broken the law, but were only taking advantage of the situation to make money as cheaply and as easily as possible.

The Coniagas Mining Company was the worst offender. The first hint of trouble came early in 1907 when the company began to dig for silver veins in the middle of Prospect Avenue. When Coniagas refused to stop its prospecting, the town arrested the mine officials in charge of the digging. This began two years of legal battles. Coniagas claimed the right to dig shafts in any part of the town under which its rights extended. This included Argentite Street, most of Prospect Avenue, and the north end of Silver Street. Cobalt's lawyers asserted the town's right to the topsoil, and urged Coniagas to sink one main shaft and then dig tunnels under the streets, allowing citizens to use the roads. The final verdict gave surface rights to the mining company, while the town retained control over all the streets.

In 1914, the town and Coniagas locked horns once again. The following documents outline this conflict. Read each letter carefully, refer to the accompanying map, and answer the questions that follow. The important question to consider is whether individual rights can be protected in a private enterprise economy if one person or group is wealthier than another.

Letter 1

This letter was written by the secretary of Coniagas in Cobalt to the company's lawyer, H.H. Collier:¹

¹Letters 1-4 may be found in the Cobalt Mining Museum, Cobalt, Ontario.



This photo gives a clearer idea of the tramway. It is shown here carrying ore above Cobalt Lake.

Ontario Archives, Toronto, Ref. S13659.

May 8, 1914

H.H. Collier, Esq.,
18 St. Paul St.,
St. Catharines, Ont.

Dear Sir:

I enclose herewith copy of letter from Town Clerk Cobalt with reference to plans filed with the corporation regarding mining at the corner of Prospect and Silver St. The plans and specifications we filed called for



CITY OF COBALT

1. Imperial Bank of Canada
2. Pipe and Presley General Merchants
3. Hunter Block
4. Opera House
5. Milton Carr & Sons Dry Goods
6. Cobalt Hotel
7. Reading Comp. Association
8. North Bay Cafe Moore's Hotel
9. Canadian Bank of Commerce
10. Prospect Hotel
11. Cobalt Nugget Newspaper Office
12. Lyric Theatre
13. Idle Hour Theatre
14. Mines Free Employment Office
15. Taylor Hardware
16. Cobalt Mine's Hospital
17. Baptist Church
18. Salvation Army
19. United Church
20. Coniagas Property and Shaft
21. Public School
22. Jamieson Meat Comp.

Street map of Cobalt in 1914.

a trestle across Silver St., 15 ft., clear in height and 25 ft., clear span. We have had considerable rangling [*sic*] over this. You will note the Town request 20 ft., clear with about 55 ft., clear span, this I consider is most unreasonable.

It will probably suit our requirements equally as well if we erect shaft house on Imperial Bank lot, and carry dump to the North, or erect shaft house on Prospect Hotel lot, and carry dump to the North. With reference to the letter, would you kindly advise me by wire, whether we may expect the \$1250.00 from the Imperial Bank. I asked the local manager Mr. Lloyd

here to give a letter to this effect, but he stated that he had no authority. As far as I can judge the sinking on Prospect Hotel lot plus \$1250.00 has about equal advantage with sinking on Imperial Bank.

In the event of extensive mining operations however, we have considerably more dumping room by sinking on the East side of Silver St., or Prospect Hotel lot.

I thought probably you could phone the manager of the Imperial Bank in Toronto with reference to this.

Yours truly,
The Coniagas Mines Limited

QUESTIONS:

1. Why would Coniagas want to build a trestle over Silver Street?
2. What is the town's request? Why does it want a different-sized trestle?
3. Why would the Imperial Bank give \$1250.00 to Coniagas?
4. What does this letter indicate about dealings between the mine and the bank?
5. If the Coniagas secretary knew that someone else would read this letter, how do you think he would rewrite it?

Letter 2

May 19th., 1914.

R.W. Leonard Esq.,
President,
The Coniagas Mines Ltd.,
St. Catharines, Ont.

Dear Sir:

We started work to-day on the shaft house on the Imperial Bank lot. I took the matter up with Collier re Imperial Bank paying us for the cost of the shaft, provided we sank elsewhere. This they would not do unless we assured them in writing that their building would not be disturbed.

Yours truly,
Secretary, Coniagas Mine

Letter 3

June 1, 1914

H.H. Collier, Esq.,
18 St. Earl St.,
St. Catharines, Ont.,

Dear Sir:

Re your letter April 7th. I served notices on R.W. Evans, 152 Dowling Ave., Toronto, Ont. April 17th., re lot 305, Clarke & Lowery, Cobalt, Ont., re the North 75 feet on lot 306, and the Bank of Montreal, Montreal P.Q. & North 75 ft. of Lot 306. The above three lot owners are all that we

notified, owning surface rights on the West side of Silver St. At the time I served notices to the above parties, it seemed very probable that we would sink on lot 305. We decided about two weeks ago to utilize shaft on lot 287, and dump material excavated from workings to the North. Would you please advise me as to how I shall advise Clarke & Lowery, Evans and the Bank of Montreal, as it is now improbable that we require the surface of their lots for dumping the material excavated from shaft and underground workings.

I rather expect The Jamieson Meat Comp. and other lot owners to the North will offer to build trestle across Silver St., according to the town requirements in order that we may deposit rock as originally intended when plans were filed with the municipality, however if they make such propositions will advise you before taking any action.

We have already started sinking on Imperial Bank lot, and have to-day received verbal complaint from town chief of police, on account of our holding up traffic on the streets. The reason for this is that we give danger signal by tooting a loud whistle when we are going to blast, and from two to three minutes elapse before explosion. My understanding is that as long as we use reasonable means in carrying on this work we are entirely within our rights, and I have notified the chief of police accordingly.

Yours truly,
CONIAGAS MINES LTD.



The corner of Prospect and Silver Streets in 1918, looking south along Silver Street. Note the Coniagas mine head on the northwest corner, with mine tailings piled up beside it.

Doug Baldwin

QUESTIONS:

6. What was the response of the Imperial Bank to the Coniagas offer?
7. Why would the Jamieson Meat Company offer to build a trestle for Coniagas?
8. What were the complaints of the Cobalt chief of police?
9. What was the attitude of the secretary toward the people of Cobalt?

Letter 4

August 19, 1914

J.J. Mackan, Esq.,
Head Secretary,
The Coniagas Mines Ltd.,
St. Catharines, Ont.

Dear Sir:

If possible we would like our solicitor to come here within the next few days. Assuming we are within our rights, re mining operations corner Prospect and Silver Streets, I think it would be well for him

to come here and look into matters. The Jamieson Meat Co., are still occupying the building against which we are dumping rock, although they have been served with a notice, and same is in dangerous condition. I advised proprietor of Jamieson Meat Co., a few days ago, that we intend to keep dumping rock, I also told him I thought our solicitor would be up here in a few days, and that he might like to consult with him or his legal adviser. Please advise me by return when I may expect Mr. Collier.

Yours truly,
THE CONIAGAS MINES LIMITED.

QUESTIONS:

10. Why did the Coniagas begin to dump rock against the Jamieson meat store?
 11. Describe the attitude of the Coniagas Mining Company to the people of Cobalt.
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Newspaper Article (*Cobalt Daily Nugget*)

June 1914

Reading the advertisements of the Government auction sale in 1905 the investors little dreamed of a hoax. Bids ran high, and the Railway Commission got away with a cleanup that would turn a Cuban land shark green with envy. Investors paid their good money and went away fancying they had bought land. It was not till after the money was paid, and the so-called deeds were delivered, that the enlightening began.

The deed is a joke. Documents given out by a Government Department, purporting to give title to land, reserved practically every vestige of right. On the land it purported to sell, the Commission reserved the liberty of ingress, egress, and regress, with or without horses and other cattle, carts, wagons and other vehicles, of working, carrying away any possible mines and minerals, of sinking shafts and pits, and making air and water courses, of setting up fire engines and of dumping ore and waste rubbish — in a word, of appropriating the land

without compensation when ever they got ready.

Little did the buyers at that famous Cobalt auction sale imagine that they were buying land subject to someone else's privilege of driving carts and cattle, laying down railroads and dumping rubbish thereon. As a matter of fact, the Music Hall, Carr's Furniture Store and Livery Stable, the Cobalt Hardware and the score of Argentite Street Hotels, may be required to vacate and move off at a moment's notice, and without one dollar of compensation.

The situation is serious and yet the Company is entirely within its rights. It cannot be blamed for protecting the privileges for which it bargained and paid. The officers of the Company are but trustees of the shareholders' interests and cannot be both just and quixotic. The Company could not be blamed were it to exercise its authority to the last pound of flesh.²

²The *North Bay Nugget* now owns the original of this article.

QUESTIONS:

12. Who does the *Cobalt Nugget* think is to blame for the situation?

SUMMARY QUESTIONS:

13. Using all the evidence presented in this Case Study and appropriate inquiry techniques, write a short essay which explains what happened and why.
14. How would your interpretation differ from a similar essay written by *either* ■ shareholder in Coniagas, a mother of two children, or the premier of Ontario?

15. What evidence was presented in this Case Study to indicate that Canada's economy was not at this time purely private enterprise?
16. This episode in the history of Cobalt was not unique. The same type of problem existed in many of the other cities, towns, and villages across Canada in the early twentieth century. The issues were different, but the values inherent in the problem were similar.
 - a) What problems does this Case Study reveal about the private enterprise system, as it has operated in Canada?
 - b) Can individual freedom ever be guaranteed if one group or person is more powerful than another? Explain.

RESEARCH QUESTIONS:

17. During the period from 1880 to 1920, many municipal and provincial governments began to take greater interest in "common" citizens. Education was made compulsory, factory legislation was passed, sanitation and health facilities were provided, and municipal power and transportation (streetcars) were operated by city councils. Choose one of these topics and explain why such changes took place. Some of the best analytical studies are: Gilbert Stelter & Alan Artibise, (ed.), *The Canadian City: Essays in Urban History*, Toronto: Macmillan, 1979, Ch. 5, 6, 13, 15, 16. Alan Artibise, *Winnipeg*, Montreal, London: McGill-Queen's University Press, 1975, Ch. 2, 4, 6, 10-13, 15.
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POVERTY IN NINETEENTH-CENTURY CANADA

Because people's incomes are determined by the supply and demand for their talents, and because people possess different abilities and are born into families with varying degrees of resources, incomes vary widely in capitalist societies. Almost from the very inception of the private enterprise system there has been an intense controversy over whether the system of *laissez-faire* capitalism creates poverty or reduces it. In this Case Study we will

While you are reading the following historical section on poverty in Canada, try to determine why neither the government nor the people did much to solve the problem of poverty.

Poverty has existed throughout the ages. Despite contemporary nostalgia for the joys of pioneer life, thousands of labourers at the turn of the nineteenth century could not obtain permanent jobs. Hundreds of families had nothing but straw for their beds

and only rags to protect them from the cold. To make ends meet, some people were forced into prostitution or crime, and large numbers of children were hired out to the rich or were sent into the streets to beg for food. In the winter, many became so desperate for a warm place to sleep that they deliberately committed crimes in order to be sent to jail.

Despite a tremendous growth in national production and wealth during the nineteenth century, poverty still remained. In the larger cities, the poor huddled together in flimsy shacks or rundown apartment buildings. It was not uncommon to find eight people crowded into a one-room flat. Toilets were outdoors. There was no running water or bathtubs. The water was polluted. In poor sections of Montreal, one out of every three babies died before reaching the age of one. Typhoid, smallpox, cholera, and tuberculosis epidemics swept through the streets and ended the suffering of thousands of poverty-stricken Canadians.

LAISSEZ-FAIRE CAPITALISM

The new science of political economy, founded near the end of the eighteenth century by such men as Adam Smith and David Ricardo, preached that the world's economy was controlled by natural economic laws regulating production and distribution. An "invisible hand" ensured that the common good would be enhanced if all people sought to serve their own personal self-interests. These natural laws operated efficiently only if government did not interfere in the economy. When this doctrine of *laissez-faire* was combined with the ideas of Thomas Malthus, the "logical" conclusion was that the state should not distribute charity to the poor. In his now famous book, *Essay on Population*, published in 1798, Malthus wrote that the world's population was advancing faster than the world's ability to produce food.

The growth of population in the past had been checked by wars, disease, and famine. Poverty was nature's way of limiting population, and interference would disrupt nature's plan. Any distribution of charity would therefore interfere with nature's way of killing off the weak and leaving the fit to carry on the race. In addition, above-normal wages would lead to larger families, an overabundance of labourers, and even lower wages than before. Workers were condemned to a marginal existence at best.

NATURAL SELECTION

These ideas were provided with additional support when Charles Darwin published the *Origin of the Species* in 1859. The laws of science, Darwin concluded, applied not only to plants and animals, but also to people. He suggested that the human race, like the various species of plants and animals, had slowly evolved over millions of years — and was still changing. Through the process of natural selection (survival of the fittest), nature ensured that only those physical characteristics that were suited to the environment would survive. Darwin's theories were later modified by such men as Herbert Spencer and William Sumner. Social Darwinism, as their ideas came to be known, provided additional support for the belief that government should neither meddle in the lives of its citizens nor with the economic system. Competition among individuals was declared to be the best method of ensuring that only the fittest would survive. Because the most efficient producers would obviously win, competition would eventually result in the progress of the human race as a whole.

Such arguments were accepted by the economic elite because they provided justification for its business practices and for the vast differences in wealth between the rich and the poor. "Big business," said American tycoon J.D. Rockefeller, "is merely the survival of the fittest, the work-

ing out of the law of nature and the law of God." Many in the nineteenth century believed that people received what they were worth, based upon the supply of and demand for their talents. If labourers were paid two dollars a day, that was because they produced only two dollars' worth of goods, whereas the salaries of engineers were ten times larger because the value of their work was ten times higher than that of labourers, placing their talents in great demand. By the same reasoning, the company president's income of \$50 000 per year reflected his worth to the company and the scarcity of the talents which he possessed.¹ The employer would violate natural economic laws if he paid his employees more than they were worth. In fact, the businessman had done more than his share in contributing to the welfare of his workers by providing them with jobs. True, some tinkering and adjustments to the system were necessary from time to time, but on the whole, businessmen and politicians of the late nineteenth and early twentieth centuries believed that the economic system was working well.

But every system has its inevitable problems. Poverty resulted from the struggle for survival. As the animal kingdom is unequal, so is the human race. The fault allegedly lay with the genes that were passed on from parent to child. In fact, most people believed that all moral, intellectual, and emotional qualities were inherited. "All passions are distinctly hereditary," argued one prominent Canadian doctor in 1888. "Anger, fear, envy, jealousy, gluttony and drunkenness are all liable to be transmitted to the offspring, especially if both parents are alike afflicted."² A distinguished

criminologist stated that it was easy to recognize instinctive criminals because they all had small heads, narrow receding foreheads, bushy eyebrows, high cheekbones, large prominent ears, small deep-set eyes, and restless uneasy glances.

CHARITY AND LAZINESS

Poverty was thus viewed as a clear sign of biological and social inferiority. The doctrine of evolution further implied that human society, like nature, must be harsh to its weaklings or the wheels of progress would be upset. Charity, in other words, would retard the evolution of mankind. "Promiscuous charity," the *Toronto Globe* declared in 1874, "is fatal; it is the process of manufacturing paupers out of the worthless and improvident. It is true mercy to say that . . . a few individuals should die of starvation than a pauper class should be raised up with thousands devoted to crime and the victims of misery."

For many people at the time, the argument that poverty was inevitable was not sufficient justification to allow the poor to starve before their very eyes. If this was the best of all possible worlds, why were there so many hungry men and women, and why were the streets filled with beggars? The answer was simple. People were poor because they were lazy, immoral, ignorant, and improvident. They wasted their energies and threw away their earnings in the taverns. Individual weakness was therefore at fault — not the system or the employers. One had to work for what one got. "If thou dost not sow," warned the Bible, "thou shalt not reap." Idleness was a sin, whereas prosperity was the earthly reward for living a moral life. If people failed it was their own fault. All people, it was argued, could be successful if they worked hard, saved their money, and lived respectable lives. Authors wrote children's books about penniless orphans who were able to

¹The masculine pronoun is used here because it was almost unheard of in the nineteenth century for a woman to be president of a company.

²Ontario, *Sessional Papers*, 1891.



Child mine workers in the early twentieth century.

C-56705 / Public Archives Canada

rise from rags to riches through hard work, ability, thrift, and good moral character — this was the gospel of work.

Public conscience, however, could not sanction outright starvation. Churches, fraternal societies, and concerned individuals regularly dispensed charity to the poor; it was easy to justify handouts to the elderly, the crippled, the sick, and to those who had suffered from such "acts of God" as fire, flood, and shipwreck. The difficulty was to separate the deserving from the undeserving poor. It was the able-bodied poor who met the cruelest fate in nineteenth-century Canada. Relief in early Ontario was dispensed by the jails. Here criminals, the insane, children, and the poor were herded together into cells. No one seemed to be concerned with the situation because poverty was associated with vagrancy and crime; the poor were thought to need the correction and discipline that jails could provide.

In other parts of Canada, the poor were shipped out of the crowded cities or returned to their country of origin. Workhouses were established to care for and reform the poor. The intention was to force them to be self-reliant. These institutions were made as uncomfortable as possible to encourage the inmates to leave them and find work. In return for food and shelter, the poor were required to break stone and cut wood; women were required to knit clothes. These labour schemes were designed to distinguish the deserving from the undeserving — only the deserving poor, it was believed, would accept such menial jobs as snow removal and road construction for wages below the normal pay scale. Those labourers who found it difficult to get jobs in the winter were encouraged to stretch their budgets by buying cheaper goods. (They were, for example, told not to discard cods' heads since they were the most nutritious part of the fish.) *It is*

true that some relief societies distributed food, fuel, and clothing; however, the recipients were usually investigated to ensure that they were not frauds. Soup kitchens were the most common form of direct relief because soup could not be traded for alcohol.

If charity was thought to be detrimental to the progress of the human race, why was it allowed in even the piecemeal fashion described above? The answer probably lies in some combination of sympathy, con-

science, religion, self-interest, and fear of social unrest and rebellion. In the realm of religion, welfare was believed to promote the salvation of the benefactor. Many Halifax merchants contributed to winter charity schemes in the 1820s to ensure a plentiful supply of cheap labour in the spring. Finally, many property holders pointed to the connection between crime and poverty and began to fear that if the poor were not cared for (or properly disciplined), the crime rate would increase.

QUESTIONS:

1. Explain why very little was done in the nineteenth century to prevent poverty.
2. Charity was considered detrimental to the human race, yet the poor were sometimes given aid. Explain this apparent paradox.
3. In 1892, a guide for Canadian business men provided a list of ten practical rules for success. The first three read:
 - a) Be not ashamed to work, for it is one of the conditions of our existence. There is not a criminal who does not owe his crime to some idle hour.
 - b) Remember that time is gold.
 - c) Never taste or touch that which befores the mind or dethrones the reason.List seven popular maxims that would pertain to the beliefs of the nineteenth century.
4. Explain why a construction worker's salary might vary drastically from summer to winter. Use the concepts of supply and demand in your answer.
5. What problems does this Case Study reveal about the private enterprise system? What might be done to alleviate the problems of poverty?

RESEARCH QUESTIONS:

6. One of the major beliefs of capitalism is that anyone can become an economic success as long as he or she has the ability and the proper attitude. Almost everyone can name someone who rose from "rags to riches." Are they the exceptions to the rule, or is this a normal occurrence? To examine this issue, prepare a report on one of the following:
 - a) T.W. Acheson has examined the backgrounds of the Canadian industrial elite in 1885 and in 1910. What factors did he discover were most important in achieving economic success? See his chapters in David MacMillan (ed.) *Canadian Business History: Selected Studies 1497-1971*, Toronto: McClelland & Stewart, 1972; or Glenn Porter (ed.) *Enterprise and National Development*, Toronto: Hakkert, 1973.
 - b) Peter Newman's books, *The Canadian Establishment*, Toronto: Seal Books, McClelland & Stewart, 1979, and *The Flame of Power*, Toronto: Longmans, Green, 1959, give a series of sketches of Canada's leading businessmen in the 1960s. How

many of them began their life in poverty? Are there any common factors that might explain their success?

7. To what extent have nineteenth-century attitudes toward poverty and the poor changed? To ascertain the answer to this question, design and administer your own questionnaire. Questions should explore popular attitudes toward the extent of poverty in Canada, the ideas of survival of the fittest, charity, heredity, personal character faults, hard work, and "rags to riches."
 8. Read Cecil Woodham-Smith, *The Great Hunger: Ireland 1845-1849*, London: H. Hamilton, 1968. Report on the effects of *laissez-faire* economic thinking in Ireland at this time.
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THE ROLE OF ADVERTISING

THE POWER OF ADVERTISING

economy? This Case Study will explore answers to these questions. Is the persuasive power of advertising in the private enterprise system in the best interest of the society as a whole?

Few of us are willing to admit that advertising has any effect upon our decisions. "I don't read the ads in the newspaper." "My mind turns off during television commercials." Yet tests have shown that, although most people cannot distinguish the difference in taste between different brands of beer, colas, or cigarettes, they continue to buy one brand over the others in the belief that it tastes better. In the same realm, government regulations ensure that there are very few differences among gasoline brands, but many car owners believe that one specific brand will make their car run better. These habits or preferences result largely from sophisticated advertising. The



In an effort to combat the effect of cigarette advertising, the B.C. government in the early 1970s ordered that billboards advertising cigarettes be painted over. Note the irony of this photograph.

CP Photo

various makes of beer are each given a separate identity by the shape and colour of the bottle, the attractiveness of the label, and the image that is projected of those who drink a particular brand of beer. Research has shown that the reaction of most consumers to different shapes, colours, and smells can be predicted. When two hundred people were asked to sample two different jars of cold creams, 80 percent reported that the jar which was decorated with circles was superior to the jar decorated with triangles, although each jar was filled with the same cold cream. In similar experiments, bread wrapped in cellophane was considered to be fresher than bread wrapped in either saran or waxpaper; nylon stockings, imperceptibly

scented with orange, sold better than identical but unscented stockings.

Critics believe that advertising is mainly a device to trick consumers into purchasing commodities they do not really want. Instead of trying to discover what people prefer, a company is able to persuade consumers to buy what it wants to produce. This diverts human and financial resources from such important areas as schools, hospitals, and better roads. Advertising both gives rise to a misallocation of resources and subverts the consumer's free will.

To convince the public to purchase goods they do not really need, market researchers have entered the field of psychiatry and the social sciences. Motivational analysts, for example, attempt to discover why people

behave the way they do; with this information, companies can effectively manipulate buying habits. Researchers seek answers to questions such as why people love fast cars, why people buy homes, why people smoke menthol cigarettes, and why children like cereals that snap and crackle. Answers to these questions enable advertisers to appeal effectively to the subconscious.

Even more scientific is the use of such mechanical devices as the tachistoscope. The tachistoscope is merely a film projector with a high-speed shutter which flashes messages at one three-thousandth of a second, at five-second intervals. The tachistoscope was initially used in theatres to flash superimposed messages over the motion picture screen. These high-speed messages were invisible to the conscious mind, but left an impression upon the subconscious mind. Although not everyone can be influenced in this way, one test showed that when a message such as "Hungry? Eat Popcorn. Thirsty? Drink cola" was flashed on the screen over a period of six weeks, popcorn sales increased by 58 percent and cola purchases rose by 18 percent. The tachistoscope was later replaced by high intensity light beams which cannot be detected by the conscious mind and can be continuously transmitted.

Of course, if a person was not thirsty, this advertising technique would not work. Yet if the message was changed from "Thirsty? Drink cola" to "Want to be attractive to the opposite sex? Drink cola" the appeal might be even greater. This is one example of how motivational research can be effectively utilized.

Another criticism of advertising is that money spent on promotion adds to the cost of production, raising prices without appreciably expanding production. Critics contend that most of the advertising in the cigarette industry, for instance, cancels itself out. Although each company spends millions of dollars on magazine ads and

flashy billboards, the tobacco industry as a whole gets few additional customers. If each company stopped advertising, they would maintain the same share of the market and everyone (including customers) would save money. Increased advertising indicates that one firm is attempting to augment its share of the market. If one advertises, they all must.

A final important argument against advertising is that it discourages competition. In order for a new firm to establish a profitable industry, it not only has to raise enough funds to acquire plant and equipment, but it must find money to pay a firm to design an advertising campaign. A successful campaign attempts to overcome the effects of past advertising by all existing companies. That can be very expensive, so advertising reduces the probability that new firms can be successfully launched. Since advertising makes the entry of new firms more difficult, previously-established firms can charge higher prices than they would in a more competitive situation.

Similarly, advertising creates brand loyalties which encourage the customer to identify with and purchase the same brand every time. Most hockey players, for example, do not "shop around" for the lowest-priced hockey stick in town; instead, they will purchase the same name brand stick (C.C.M., Bobby Orr) that they have been using, even if its price is slightly higher than some other high quality sticks in the same store.

In summary, advertising distorts the consumers' genuine demands, conditioning them to desire what businesses want to sell. At the same time, it reduces competition among producers and results in higher prices. The final word belongs to Lawrence Solomon of Pollution Probe:

By distorting our perceptions the advertising industry prevents us from making free and rational decisions. Most people have trouble

enough resisting the urge to join a bandwagon even when their inclinations tell them otherwise. Why should they also have to contend with imaginary bandwagons? There are dangers to real bandwagons as well, as any sheep newly jumped off a cliff can tell you. Letting others make your decisions for you may be reassuring for a while, but if the decisions aren't ones you can ultimately live with, the sense of security may be short-lived.

It may be comforting to know you're one of ten million Canadians who smoke (much as the passengers on the Titanic might have drawn comfort from knowing they

were all in the same boat). The comfort begins to wane when you contract lung cancer. Lifestyle advertising propels existing bandwagons and builds new ones. It makes harmless and harmful products equally acceptable, basing its pitch not on the products' qualities, but on other people's acceptance of the product. Lifestyle advertising makes us want what it tells us other people want, and when we get the thing, it uses us to convince them the product was what they really wanted all along.¹

¹Lawrence Solomon, *The Conserver Solution*, Doubleday, 1978, pp. 116-117.

QUESTIONS:

1. Which criticism of advertising do you think is the most serious, and why?
2. List three products that you usually buy without shopping around for the lowest price. Does this indicate the effectiveness of advertising? Explain.
3. Is it fair to blame advertisers for consumers' poor buying practices? Explain.

RESEARCH QUESTIONS:

4. Advertising agencies use a large number of different techniques to sell products. These include the *Bandwagon Appeal*: buy this item because everyone else is, don't be left out; the *Testimonial*: everyone respects Gordie Howe, so if he says the product is good, then it must be good; *Longevity*: the company has been in business a long time, therefore it must be good; *Low Prices*: going out of business, holiday sale; *Lifestyle*: buy this product and you too will be sexy, strong, beautiful, or wise; *Snobbery*: goods for the discriminating buyer.
 - a) Search through old magazines or newspapers and cut out *one* advertisement for *each* of the techniques listed above.
 - b) To what type of person is each advertisement attempting to appeal?
 - c) What value(s) does each advertisement promote?
 5. Devise your own advertisement for *one* of the following items: slippers, canned baby food, bathing suits, a compact car, breakfast cereal, or any item of your own choosing. Indicate to what type of person your advertisement is intended to appeal.
-

The Case for Advertising

Louis Cheskin, one of the pioneers of motivational research, argues that consumers know what they want and cannot be told to buy a product they do not desire. In fact, there are ads appealing to people to do almost everything with their income. How can one manufacturer convince consumers to buy a product they don't want, when thousands of other manufacturers are attempting to do exactly the same thing? And although it is true that an image can be projected by a tachistoscope which can be seen by some people who have highly-sensitive visual senses, it is not practical to use such machines for the limited number of people who can see the message. If the government actually decided to pass legislation to control devices such as tachistoscopes, Cheskin declares, "I suggest we ask Congress at the same time to create government agencies to regulate trips to Mars and to set up traffic rules for flying saucers."

According to Cheskin, it is also very difficult to "trick" the consumer through deceptive and misleading advertising. It would make little sense for the seller of such goods as clothing, fresh fruit, and hammers to attempt to deceive potential customers, because any defects would be obvious. More to the point, very few sellers are interested in getting buyers to make a one-time-only purchase; they are interested in building a clientele which will make repeated purchases. If the product does not live up to expectations, buyers will switch to an alternative brand. Because advertising campaigns are expensive, they must generate extra sales over a prolonged period of time. It is difficult, if not impossible, to fool enough people to create sufficient one-time-only purchases to make an advertising campaign pay for itself.

Those economists who believe that advertising is essential to the market economy

argue that advertising reduces brand loyalty and lowers prices. By increasing sales volume, advertising helps to lower production costs, which in turn reduces the price paid by consumers. In addition, it should be remembered that everyone has different tastes and special needs. If advertising is not employed to inform the customer what is available and where it will be sold, there will not be enough business to make it profitable for the manufacturer to produce a wide variety of different items. Advertising thus allows the producer to cater to specialized tastes.

Finally, rather than preventing new firms from entering the market, advertising facilitates entry. Existing sellers would benefit from a prohibition on advertising because it would be more difficult for new sellers to make themselves known. The less that existing sellers have to fear from newcomers, the more monopoly power they have. Advertising thus increases competition. Milton Friedman has the final word:

What about the claim that consumers can be led by the nose by advertising? Our answer is that they can't — as numerous expensive advertising fiascos testify. One of the greatest duds of all time was the Edsel automobile, introduced by Ford Motor Company and promoted by a major advertising campaign. More basically, advertising is a cost of doing business, and the businessman wants to get the most for his money. Is it not more sensible to try to appeal to the real wants or desires of consumers than to try to manufacture artificial wants or desires? Surely it will generally be cheaper to sell them something that meets wants they already have than to create an artificial want. . . .

The real objection of most critics

of advertising is not that advertising manipulates tastes but that the public at large has meretricious

tastes — that is, tastes that do not agree with the critics'.²

²M. Friedman, *Free to Choose*, pp. 224–225.

QUESTIONS:

6. (a) Explain what might happen to the sales of large corporations if advertising was prohibited.
- (b) Does your answer to (a) indicate that the goods produced by these companies are valuable or of little value? Elaborate on your answer.
7. (a) Is it accurate to say that the consumer decides what will be produced in the private enterprise system? Explain.
- (b) What implications (if any) does this have for the theory of private enterprise?
8. What do you think is the most important benefit of advertising? Explain.
9. Write an essay explaining your view of the role of advertising in the private enterprise economy.

RESEARCH QUESTIONS:

10. Survey the community to discover whether the public thinks that advertising shapes peoples' buying habits, or conduct an experiment on the effectiveness of advertising.
11. Prepare for debate on one of the following topics:
 - a) Advertising is a curse.
 - b) Advertising is essential for the survival of most large corporations.
12. Do a complete inquiry into some aspect of advertising, beginning with a question that you have decided to investigate, and carrying the inquiry through all the stages outlined in Unit One.

ALLOCATION OF RESOURCES: POLLUTION AND PLANNED OBSOLESCENCE

Critics of capitalism have pointed to the destruction of natural resources by greedy entrepreneurs as a vivid illustration of the limitations of the private enterprise system. The extermination of the buffalo; the wholesale slaughter of the caribou; the

PLANNED OBSOLESCENCE

Critics of the present free enterprise system state that the most serious contribution made by our system to the present crisis of waste is the practise of planned obsolescence. People who design such products as automobiles and clothes are said to be deliberately creating products that they

know will be out of date in a very short time. What this does, say the critics, is to ensure that people will get rid of their goods before they have made maximum use of them. Such a practice, they charge, is a gross waste of our scarce natural resources.

Planned obsolescence, say the supporters of free enterprise, is an unfair expression. Technological advances are so rapid that everything is obsolete on the day it is produced. The consumer will always want the latest technology, and private enterprise merely provides it. A society in which new products are constantly being created will always have a certain amount of waste. The term "planned obsolescence" thus has different meanings to different people. Brooks Stevens, a leading industrial designer, explained obsolescence plan-

ning in these terms:

Our whole economy is based on planned obsolescence, and everybody who can read without moving his lips should know it by now. We make good products, and we induce people to buy them, and then next year we deliberately introduce something that will make those products old fashioned, out of date, obsolete. . . . It isn't organized waste. It's a sound contribution to the American economy.¹

Planned obsolescence, say its supporters, creates more employment for the work force, more profits for business, and more

¹Quoted in Vance Packard, *The Waste Makers*, New York: D. McKay Co., 1960, p. 200.

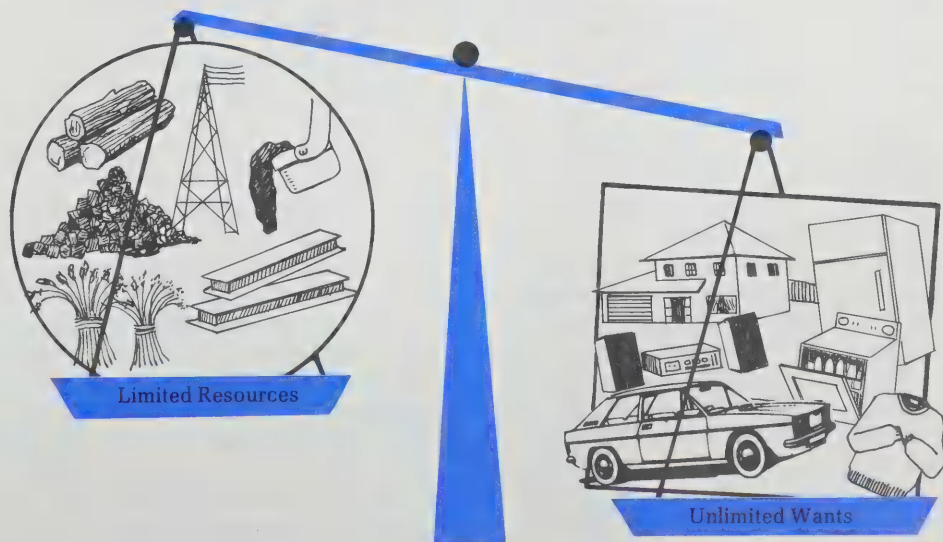


Fig. 3-3: The economic answer to the imbalance between limited resources and unlimited wants involves: (1) getting the most out of existing limited resources; (2) seeking to increase resources; and (3) choosing to satisfy only those wants that are the most important.

Adapted from *The World of Economics* by A. H. MacDonald. Reprinted by permission.

goods for everyone.

There are three ways a product can become obsolete: technological innovations can end its usefulness—the automobile's impact on horse and wagon transportation is one such example; its style can change, such as narrow or wide ties; or it can wear out or break down. In the following extract from Lawrence Solomon's *The Conserver Solution*, the author details the potential and actual evils of the latter two methods of making a product obsolete:

Planning the obsolescence of a product is not always difficult. To establish its probable lifetime you often have only to determine the lifespan of its weakest link. Plastics, for example, that look fine in the showroom, but crack or discolour in home use, work admirably although they often cost more than durable plastics that could last as long as the product. Using a plastic part inside an appliance where metal is required lets it snap or warp, conveniently leading to a fast failure rate. Reducing the gauge on metals, the size and number of bolts, and the quality of interior finishes where rust protection is important will also do the job while saving in material costs.

Planning obsolescence can often require extensive research, testing, and time. But if the company succeeds well enough in making its products useless, it can more than recover those costs. The danger lies in miscalculating the delicate balance between the length of a product's life and the length of its warranty. . . .

Some manufacturers were able to develop programs of planned obsolescence with more grace than others, General Electric chief

among them. Had GE not been brought to court by the U.S. government on an unrelated matter, its internal memoranda might never have come to light. One memo introduced as evidence detailed a company engineer's progress in shortening the life of flashlights. Originally, the flashlight's bulbs outlasted three batteries. Research had developed a bulb which would break down after two batteries. The engineer proposed to his superior further work to bring down the bulb life to one battery. "If this is done," the memo pointed out, "we estimate it would result in increasing our flashlight business approximately 60% . . ."

The [fashion] industry has become sophisticated. Once it naïvely thought merely raising or lowering the hemline of a dress would effectively obsolete it. To its dismay, it learned that budget-conscious women were raising hems and then lowering them with each dictate of the designer. The designers were not to be so easily undone. They quickly put an end to this habit by changing the shape of the shoulders or adjusting the waist as well as the hemline. . . .

If things are made to last half as long, it is the equivalent of charging twice as much for them. This can only make the goods less accessible to people, and more likely to impoverish the less fortunate ones. The deprivation that results is hardly a boon to the economy. People are forced to divert a greater percentage of their money to necessary purchases. . . .

Making things last half as long also uses twice the amount of materials. This is the equivalent of

disposing of half our valuable natural resources without compensation — not a sound business practice. . . .

Assume we didn't have planned obsolescence and everything lasted twice as long, that our goods didn't go out of fashion every year and

they didn't wear out as often. Since we'd have to replace everything half as often, we'd be twice as well off.²

²Lawrence Solomon, *The Conserver Solution*, Doubleday Canada, 1978, pp. 93, 94, 96, 99.

QUESTIONS:

1. Since natural resources are limited, some people argue that such practices as planned obsolescence and throw-away containers are socially irresponsible. Is it reasonable, or even possible, to expect private enterprise to address itself to these problems? Explain.
 2. To what extent does planned obsolescence illustrate a defect in the market economy? Explain.
 3. Make a list of those products you buy that will soon become obsolete. Why will they become obsolete? Is this necessarily a bad thing? Explain.
 4. *Assuming* that you agree that Canadian society is unnecessarily wasteful of its natural resources, what can you or your class do to change this trend? Divide into small groups and "brainstorm" a list of five possible courses of action.
 5. Prepare for a debate on the topic: Planned obsolescence is beneficial to the economy.
-

POLLUTION

How safe is our environment? In the 1960s, a series of books on this topic with such frightening titles as *Planet in Peril*, *Only One Earth*, and *A Blueprint for Survival* reawakened public interest in pollution. Our world, it was reported, was becoming an unsafe place in which to live. First, there was water pollution. An Edmonton zoologist reported that most of Alberta's rivers and streams were carrying man-made pollutants. In Montreal, over 1.9 ML of nearly raw sewage was being dumped annually into the St. Lawrence River; in Newfoundland, not a single city had adequate sewage treatment plants. Secondly, there was air pollution. Again, examples appeared across the country: smog and

automobile-produced carbon monoxide and hydrocarbons polluted the air of Hamilton, Toronto, and Calgary; in the far north, scientists discovered signs of air pollution in the fatty tissues of polar bears. In the 1970s, further study disclosed such dangers as mercury poisoning in fish and wildlife; lead poisoning in paints; oil spills in the ocean; nuclear contamination; acid rain; and the potential threat to the world's ozone layer posed by the use of aerosol sprays.

Though many people see pollution as a threat to our survival, some observers believe that there has been an over-reaction to the situation. The environment, they argue, has actually improved during the last half century. In Great Britain, for example, the amount of smoke in the air fell from

One of the main foods of the Grassy Narrows Reserve in northern Ontario used to be the fish caught in nearby waters. In 1975, these waters were found to be polluted with mercury from a pulp mill upstream. Here, Indians from the reserve are visiting Minamata, Japan, to see at first hand the effects of eating fish that has been polluted with mercury.

CP Photo / Courtesy The London Free Press



2.3 million tonnes in 1953 to less than one million tonnes fifteen years later, and it is still declining. Less than a century ago, most Canadian cities dumped their garbage into lakes and streams or threw it into the unpaved streets. Outdoor toilets, unfiltered water, and horse-pulled carts contributed to the high death and infant mortality rates. And whereas an automobile emits six grams of pollutants per kilometre, a horse will leave six hundred grams of solid and three hundred grams of liquid pollutants per kilometre.

Pollution and Private Enterprise

Pollution is viewed by most economists as a problem resulting from a poor allocation of resources. Water resources, for example, have been poorly used if they are di-

verted from a socially useful purpose to one that leaves water polluted. Pollution is, therefore, a result of some defect in the economic system. Some economists, studying the sources of industrial waste, suggest that the root of the problem can be found in the idea that all the materials used to produce goods (fuels, raw materials) will, in turn, produce an equal amount of waste products. Waste takes such forms as the exhaust from burned fuels, the rusted hulks of used cars, and the polluted streams of urban rivers. This concept is an economist's version of the old folk saying "What goes up, must come down." In other words, the more goods we manufacture and use, the more waste products will be generated.

In the past, say these economists, our environment absorbed the industrial waste

products, given enough time. Chemical reactions and the action of vegetation purified the air, rust destroyed the metal products thrown away, and algae in streams absorbed pollutants and revitalized the water. But in recent times, this balance has been upset. The crisis of waste in our economy, it is argued, is the result of:

1. *Population density.* As people have become more numerous, the natural environment has decreased or has been changed drastically. There simply are more people consuming and creating more waste, and less natural environment left to absorb it.
2. *Technology.* A hundred years ago, the environment was not polluted by PCBs, radioactive waste, and hundreds of other chemicals, because these products had not yet been invented. In one sense, we are being choked by our own success. Some scientists suggest, for example, that if present trends in increasing automobile use continue indefinitely, large, densely-populated areas of North America could become uninhabitable.
3. *Lack of incentive to stop polluting.* When a company produces a product, it looks for a way of making a profit at the least cost to itself. If it costs nothing to pollute the air, and the company can pass the cost of cleaning up the pollution to someone else, it may well do so. On the other hand, if a responsible company decides to reduce air pollution by costly devices, it could find itself at a disadvantage when competing with a company that does not spend extra money to clean up the air. In addition, a company that is required by government to clean up pollution will point out that one of the worst polluters is government itself. The crisis in disposing of radioactive waste in Can-

ada, for example, has been created by government-owned nuclear power plants.

WHO IS RESPONSIBLE?

Let us look more closely at the last point. In the private enterprise system there is usually no monetary incentive for businesses to reduce pollution. It is normally the "victims" who pay the price of pollution, not the polluters. When automobile owners start their cars, they pay only for the gas, maintenance, and insurance, not for the air pollution created by the exhaust fumes. In the case of littering, it is the people who come along after someone has cluttered the park who must bear the cost of the visual pollution. As a result, there is no economic incentive for polluters to change their ways.

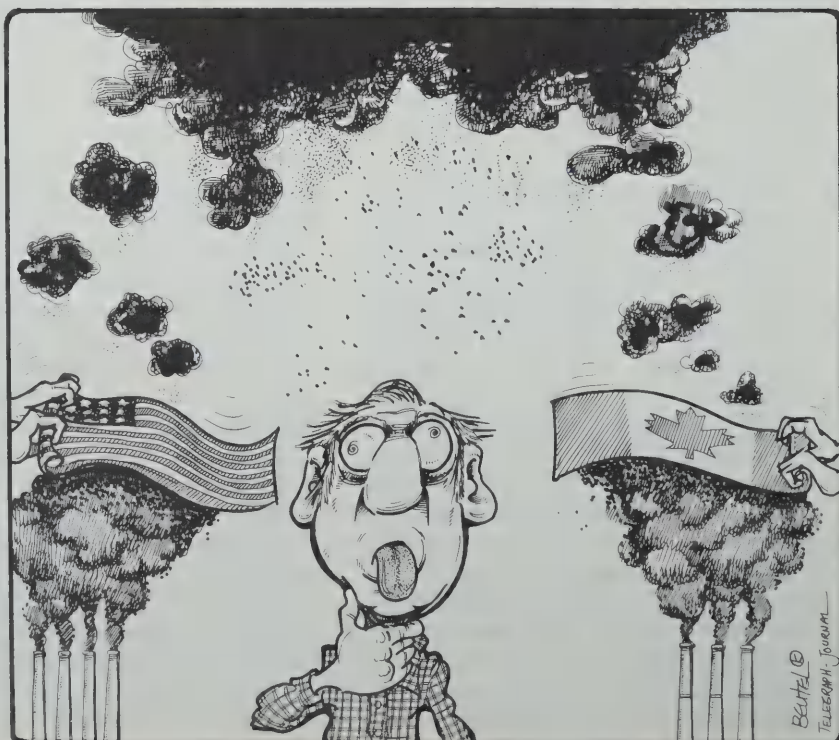
If it was your own *private* property that was littered, it would be possible to rectify the situation by taking the polluters to court. In most cases, however, it is *common* property that is damaged. Suppose you live next door to a steel factory which pollutes the surrounding air. Your health might be endangered by breathing this air, but because you do not own the air, you have no legal grounds to stop the pollution or to obtain compensation. When no one owns a particular resource, the private enterprise system does not usually provide incentives to prevent its despoilation.

Of course it would be unrealistic to expect any economic system to eliminate pollution completely. The problem is to decide how much pollution should be allowed. Perhaps the best way to put the environment issue in proper perspective is to pose this question: According to whose value judgement is the environment to be considered adequate, desirable, or healthful? The chemical D.D.T., used to kill mosquitos, has saved millions of Asians and Africans from malaria, but it has been banned in Canada because of its harmful



Ulushak, / Miller Services

Two comments by editorial cartoonists — one from Edmonton, Alberta, and one from St. John, New Brunswick — concerning pollution.



Beutel / Miller Services

effects on humans and wildlife. Should billions of dollars be spent to clean up our rivers and lakes, or should that money be used to build swimming pools for people who live in our cities, or to conduct water safety programs to help prevent hundreds of annual drownings?

Each society must decide how it wants to use its resources. If a resource is employed to reduce pollution, it means that this resource can no longer be used for other purposes. The more pollution is reduced, the more society must sacrifice other commodities that it could have obtained from these resources.

What can be done to limit the appalling amount of air, water, noise, olfactory, and visual pollution? How can we initiate a more rational use of resources? Somehow, it is often argued, the signals in the capitalist system must be changed so that polluters will take into account the "costs" of their actions. Some economists, including Milton Friedman, suggest that government should tax people or companies for

each unit of pollution they produce. This would create an incentive to use the cheapest method to reduce pollution, and would put the additional expense on those who buy the products responsible for the pollution. Items for which it is expensive to reduce pollution would increase in price compared to those items which cause less pollution. In this way, the market economy would distribute society's resources in a more desirable manner. The disadvantages of a pollution tax include higher initial prices, and the difficulty of determining the actual cost of pollution.

Another possible solution is for the government to reward (grant a subsidy to) those companies that reduce the amount of pollution they create. This has the advantage of neither discouraging production nor raising prices, but the community must pay for these changes through higher taxes. Other suggestions include a large-scale change in the social values of every Canadian, tough legislation, and more money for anti-pollution research.

QUESTIONS:

6. Pollution exists in every economic system. (a) Explain why it is present in the private enterprise system. (b) Does the private enterprise system, in your view, encourage pollution? Defend your analysis.
 7. The question: "Should pollution be eliminated completely?" is not a particularly useful question. Do you agree or disagree? Why?
 8. Select one type of pollution and research:
 - a) its harmful effects upon society.
 - b) the extent of its seriousness in your community.
 - c) what the creators of this pollution are doing to reduce the pollution.
 9. a) Divide into small groups and draw up a specific plan of action to prevent pollution. The plan should include several practical examples of what the class could do to help the situation.
 - b) Does your solution demand fundamental changes in the private enterprise system in order to be successful? Explain.
 10. Prepare for a debate on the topic: despite a few minor problems, the private enterprise system does an excellent job of allocating the country's resources.
 11. Do a complete inquiry into a question or problem of your choice related to pollution, obsolescence, and resource allocation. Use the problem-solving technique outlined in Unit One as a guide in doing this exercise.
-

THE WORLD'S ECONOMIES: CENTRALLY-PLANNED ECONOMIC SYSTEMS

At the other end of the spectrum is the ideal centrally-planned economy, in which a government plans every aspect of the economy and maintains constant control over it.¹ In this Chapter, we will examine

CENTRAL PLANNING

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uor and cigarettes, it simply raises their price. If it wants to encourage the consumption of a particular good, it lowers the price. The three basic economic questions of "what," "how," and "to whom," are each answered by government directives.

Supporters of the centrally-planned economy believe that this system is best designed to meet the needs of the people and the state. Whereas production in a private enterprise economy reflects the *business person's guess* about future individual demands, the planned economy reflects *government decisions* about future national needs. Rational planning, they argue, will eliminate such problems as unemployment, pollution, poverty, and wasteful duplication of consumer products.

The principal assumption of the centrally-planned economy is that government is capable of choosing suitable goals for the nation, and of selecting proper methods to implement them. The nation's economic objectives and the methods employed to achieve these goals will therefore reflect the ideas of the nation's leaders. Theoretically, a democratic government will design the economy to carry out the wishes of the elected representatives. The economic objectives and methods of a non-democratic nation will depend upon the desires of that country's leaders. "Poor" decisions, such as Hitler's and Mussolini's preparations for war in the 1930s, can therefore be attributed to the political system, not the economic system. No matter what political system is in power, the advocates of central planning believe that planning can meet national economic goals more effectively than does the private enterprise system.

Criticisms of Central Planning

Critics of the centrally-planned economy believe that because such economic decisions as income distribution and the choice of employment are controlled by the gov-

ernment, people's motivation to work will be reduced, and their efficiency will therefore decline. In addition, the emphasis on state planning and national goals unduly restricts individual freedoms and forces everyone to conform. The enlarged bureaucracy needed to run the economy gives the government tremendous power over the lives of the citizens; without economic freedom, some critics believe, there can be no political freedom.

A more pragmatic problem is the difficulty of co-ordinating the millions of decisions needed to carry out the central plan. Each economic decision, like a ripple in a pool of water, affects other parts of the economy. In its efforts to solve one problem, a government may create another. An extreme case of such a situation took place late in 1981 when the government of Poland, faced with a food shortage, decided to cut back on the consumption of other products and announced that the price of cigarettes would double. Members of the Polish workers' union, Solidarity, were enraged and the government was faced with violent objections to its entire economic policy.

The following hypothetical case illustrates how an attempt to change one aspect of an economy, through planning, can have widespread economic effects. Do not be put off by the seemingly "minor" problem presented: as the Polish example illustrates, "minor" changes can have a snowballing effect, posing a serious dilemma for all planned economies.

Corkscrews vs. Bottle Openers

You have just been appointed head planner of the third division in the western section. Your section is in charge of manufacturing corkscrews and bottle openers. It is not a very important position, but you are determined to do a good job.

The first problem is to decide how many corkscrews and bottle openers should be

manufactured this year. It soon becomes apparent that this decision is not nearly as easy as it seems. Your superintendent reports that last year the people bought 10 000 corkscrews when the price was set at \$2.00 a piece, and 5 000 bottle openers at \$1.00 each. But this still hasn't solved the problem of how many bottle openers will be needed this year.

To answer this question, you decide to ask the consumers. Your first idea to conduct a nationwide poll is rejected by the central planning committee as too expensive, and your very imaginative scheme of having every television linked to a giant computer is not yet feasible. It now appears that you will have to rely upon last year's sales figures and the priorities set by the central committee. Because the government's plan is to reduce the amount of liquor consumed by the people, the planning committee has cut your supply of steel in half, and has transferred fifty of your best factory workers to another sector of the economy. The best solution, it appears, is to tell your superintendent to manufacture 4 000 corkscrews and 2 000 bottle openers at the same price as last year.

Less than a month later the trouble begins. When the government increases the price of wine in order to reduce consumption, wine drinkers switch from wine to beer. As a result, there are not enough bottle openers for sale, and most of the corkscrews are still sitting in the stores. By now the people are lining up in front of the shops and some merchants are reserving most of the bottle openers for their friends. As a temporary measure, you distribute ration coupons, but this only leads to the creation of a blackmarket ring which, it is rumoured, is selling bottle openers for \$7.00 each.

What can you do? You are caught between the long range goals of the planners

and the immediate needs of the people. Your spouse suggests that you raise the price of bottle openers and lower the price of corkscrews. Resignation is also an attractive decision, yet this choice is not really very acceptable because you remember the time when there were no plans and people were free to buy what they could afford — a time when a few individuals were rich and the rest were poor. If this was the case today, there would be no limitations upon the consumption of alcohol, except its price. A nation must have priorities!

There is a possibility of convincing the planning committee to give you additional steel supplies, but this means cutting back production in another area of the economy. There are some workers available in the mid-western section, but they don't have the proper skills, and your former bottle opener workers have just learned their new jobs. Each sector of the economy is so interrelated that it is impossible to change one operation without affecting everything else.

The beer drinkers will just have to wait a couple of months until you can convert the corkscrew factories into bottle opener plants. You can only hope that in the meantime they don't switch back to wine!

If only your problems could be as easily solved as those of your husband. Sergei is in charge of a nail factory. Every year he is able to outwit the central planning committee which is always trying to make him work harder and produce exactly the types of nails it requires. Two years ago the government set a target of one million nails, so Sergei manufactured only small nails. Last year the target was ten tonnes of nails, so Sergei concentrated on producing large, heavy nails. This year he is supposed to manufacture \$100 000 worth of nails. Sergei is now planning to make only the fancy, expensive type.



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QUESTIONS:

1. Explain how a centrally-planned economic system would determine: (a) whether or not to manufacture badminton racquets; (b) how they would be made; (c) how many would be produced; and (d) who would get them.
2. How might these decisions be implemented?
3. Select one specific example (such as preparing for war, massive crop failures, anti-pollution measures, more equitable income distribution) and decide whether the centrally-planned economy or the private enterprise system could best handle the problem. Explain your reasoning.
4. Construct a chart illustrating the essential differences between an ideal private enterprise and an ideal centrally-planned economy.
5. If a country with a planned economy was governed by a dictatorship rather than by a democracy, how might the objectives *and* the techniques of the central planning committee differ?
6. a) Make a list of the advantages and disadvantages of the planned economy as illustrated in the fictional story about corkscrews.
b) How would the private enterprise economy have dealt with the problems described in the fictional story?
7. a) Read the cartoon above, and explain how it relates to the centrally-planned economy. What is its message?
b) Is the cartoon a fair comment on centrally-planned economies, or an example of attacking a concept by reducing it to absurdity? Defend your viewpoint.
c) What motivates people to work especially hard? Would they work harder for a private corporation than for a publicly-owned firm? Interview several people from both the public and private sectors of the Canadian economy to determine what motivates them to work.

ORIGINS OF THE PLANNED ECONOMY

There are many different varieties of planned economies in the modern world. Before we turn to the Case Studies to discuss some of the major types, let us first examine the origin and theory of a planned economic system.

Planned economies go back a long way. Two millennia before the birth of Christ, the Sumerian society in the Middle East was state-controlled. In ancient Egypt, agriculture and the gathering of important natural resources were controlled and administered by the priesthood under the direction of the Pharaohs. China has had at least three periods in its long history during which its rulers imposed sweeping controls over the nation's economy. Other examples include the Incas of Peru, and several religious sects in the Middle Ages.

The idea that property is owned by an entire people, not by private individuals, is also very old. Some historians have traced it back to the Old Testament and to the writings of the Greek philosopher Plato. The first modern political movement that favoured common ownership of property, rather than private ownership, was an English group in the mid-seventeenth-century called the Diggers.

Economic planning on a nationwide basis, however, was generally not possible until the Industrial Revolution of the eighteenth and nineteenth centuries, when the invention of machines and the creation of the factory system made it possible to produce goods on a large and efficient scale. The economic advantages of mechanization, power-driven machinery, and factory production led to an unprecedented leap in output. For the first time in history, it appeared that hunger and poverty could be eliminated. At the same time, advances in transportation and communications made it possible for industrialized countries to organize their economies on a national scale.

The early forms of capitalism created extreme income inequalities and deplorable living conditions. Men, women, and children worked twelve hours a day, six days a week, or longer. Working in smoke-filled, cramped, unsanitary rooms, many workers were crippled or deformed. Children were chained to machines, and those who did not conform to the harsh discipline of factory life were fined, beaten, or cast out to join the crowds of beggars in the city streets. Workers returned home at night to slum conditions of an appalling nature; houses were severely overcrowded, badly ventilated, and poorly lit; garbage and sewage were dumped in the streets; the smell was overpowering. Vice and crime flourished, and drunkenness and prostitution grew at an alarming rate. The terrible conditions, combined with the tremendous increase in production, led to the emergence of socialism as a major political force in the western world.

The first response to the evils of the Industrial Revolution came from so-called Utopian Socialists (approximately 1770-1850) who were moved by humanitarian ideas, Christian principles, and an optimistic view of human nature, to urge the improvement of conditions for the poor.² Led by Robert Owen in Great Britain, Charles Fourier and Claude Saint-Simon in France, and Horace Greeley in America, the Utopian Socialists experimented in different forms of communal living that stressed co-operation, self-help, religion, and education. They thought that if the environment were improved, an ideal society could be established in which all people would be

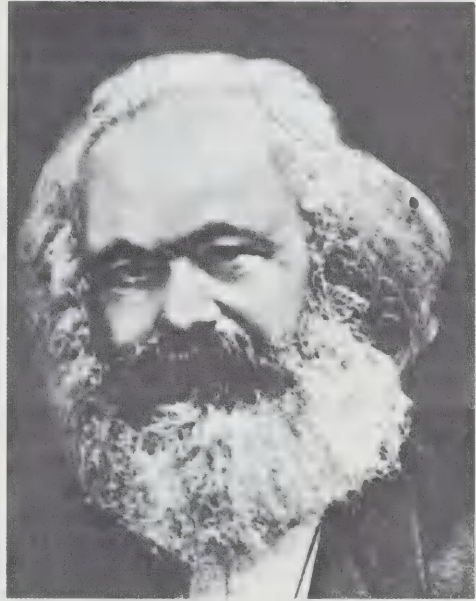
²The term "Utopian" was derived from a book written by Sir Thomas More in the sixteenth century, which described his fantasy of a perfect society where everyone lived in harmony and mutual co-operation. When Marx used the word "Utopian" to describe the socialists he meant it as a derogatory remark.

happy and prosperous. These changes were possible, the Utopian Socialists stated, through education and peaceful democratic methods, and they sought to convince businesspeople to adopt more enlightened practices. Robert Owen, for instance, attempted to set a good example for other industrialists by reducing the work day for his cotton mill labourers in New Lanark, Scotland from twelve hours to ten and one-half hours, improving housing and working conditions, refusing to hire children under the age of ten, and by providing education for the young. Universal education, he argued, would eliminate crime and lead to prosperity for all. If other employers could be persuaded to adopt similar practices, the evils of industrialization could be ended forever. The Utopian Socialists did not want to destroy the capitalist system, they merely wanted to remove some of its more blatant evils.

Although some experiments in communal living flourished for a while, the Utopians were unable to win many converts, and by the mid-nineteenth century the movement had lost its vitality. The next step in the development of socialist thought was provided by Louis Blanc of France, who popularized the idea of large-scale public ownership combined with labourers' control over their workplace and the distribution of goods according to individual need. When this idea of government-initiated socialism also failed, the stage was set for Karl Marx's more radical and violent brand of socialism.³

KARL MARX

The impact of Karl Marx (1818-1883) upon the socialist movement has been unparal-



Karl Marx

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leled. "No thinker in the nineteenth century," claims one of his biographers, "has had so direct, deliberate, and powerful an influence on mankind as Karl Marx." Marx was a brilliant scholar, economist, and philosopher. After studying law and philosophy in Prussia (now East Germany), Marx became a journalist. His radical ideas, however, led to successive exiles in Paris, Brussels, and finally London. Here, Marx spent years reading, researching, and writing in the British Museum. With his close friend Friedrich Engels, he wrote the *Communist Manifesto* in 1848, followed by numerous other works, and concluding with *Das Kapital*, the last two volumes of which Engels wrote from Marx's uncompleted notes and manuscripts. Although Marx did not invent socialism, he developed his ideas from earlier thinkers, and soon dominated the movement. His socialist theories came to be known as Marxism.

³As minister of public works in 1848, Blanc had established a system in which the workers ran their own factories. However, his system was quickly disbanded by the industrialists when they returned to power.

The name "Marxism" means different things to different people. It has been called the salvation of the future, the battle cry for revolutionaries, a religious dogma, and a harebrained scheme. To some, it is a system of ideas; to others it is a political movement. Although we are treating Marxism as an economic system in this chapter, you should bear in mind that it is both a political and an economic ideology that attempts to provide an overall interpretation of human life.

Marxist Thought

Like earlier socialists, Marx was greatly moved by the inhumane conditions created by the Industrial Revolution. However, he disagreed with the Utopians' explanation of these conditions and with their solution to the problem. Life for the poor would never improve, he insisted, until the ruling class had been replaced by the workers.

The Industrial Revolution had spread from England to Belgium, France, and then Germany. Its abuses were worse on the continent than they were in Great Britain, and it was here that the young Marx first came into contact with the worst features of laissez-faire capitalism. As he matured, he observed the failure of the Utopians to solve industrial evils through benevolent actions by the industrialists, and he witnessed the failure of Louis Blanc to convince the French government to remedy the situation. *The Communist Manifesto*, urging the overthrow of capitalism, was the result of his disillusionment. In fifty years, socialist thought, spurred by worsening conditions in the cities, had moved from urging mild reforms in the system to advocating a complete overthrow of government.

According to Marx, all aspects of a person's life were determined by his or her relationship to the means of production (land, tools, factories). Although the way in which a person made a living was not

the only criterion in determining human behaviour, Marx believed it was the most important factor. People's relationship to the means of production was the foundation upon which each society in history had erected its culture, laws, government, and artistic endeavours. The story of humanity, Marx wrote, has been a history of class conflict between the owners of the means of production and the non-owners, between the exploiters and the exploited, and between the ruling class and the oppressed classes. In every case, the struggle was between classes that represented opposing economic interests, and each time the struggle resulted in the betterment of conditions for the majority — if only slightly.

In Marx's view, the classes themselves arose from their relationship to the means of production. The governing class owned the means of production, and the oppressed classes did not. In a nomadic society, for example, those who owned the most horses were the chiefs, whereas in an agricultural society, landowners were the ruling class. As each new class achieved power, it revised the law, education, religion, art, media, and government structures, in order to justify and reinforce its dominant position in society.

The kernel of Marxist thought was the belief that capitalism was only a stage in the historical progress of mankind. Capitalism, said Marx, arose when the feudal medieval society became a hindrance to the economic growth of Europe's merchants and manufacturers. The new emerging class of traders and industrialists overthrew the existing agriculturally-based economic structure and a new era of capitalism was born. The ideology of this new ruling class, which Marx termed the *bourgeoisie* (literally, town-dwellers), emphasized freedom from economic restrictions and freedom from the political domination of the old land-based aristocracy.

According to Marx, the Industrial Revolution, which accompanied the capitalist

era, created two economic classes. The ruling class (or bourgeoisie) consisted of wealthy financiers, large-scale merchants, and factory owners. They controlled the means of producing goods (factories, machines). The other class consisted of the workers who had to sell their labour to the highest bidder, and without whom the bourgeoisie could not survive. The existence of this class, which Marx termed the *proletariat*, showed that bourgeois freedom was not freedom at all for the great majority of people.

The central feature of the capitalist system, according to Marx, was that the workers must "sell" their labour power to those who owned the means of production. The bourgeoisie exploited the proletariat by forcing it to create goods, the value of which was greater than the wages the workers received for their labour. It was this difference between the value of goods produced and the wages of the workers that enabled the bourgeoisie to become wealthier at the expense of the proletariat. Marx condemned both the profit motive and private property — which he believed were the major sources of conflict between the two economic classes.

The capitalist system exploited and degraded workers, Marx insisted. It alienated people from themselves and from each other. Marx believed that human nature was essentially creative, and that the work people perform is an expression of themselves. Artists, for instance, fulfill themselves through paintings, just as shoemakers do through shoemaking. When workers' labour is sold like an object, and the creation of their labour is taken from them at a negligible price, they become alienated from themselves, from others, and from their work. Capitalism thus prevents humanity from ever fulfilling its potential.

Marx believed that the capitalist system, like the other economic systems that had preceded it, contained economic, social,

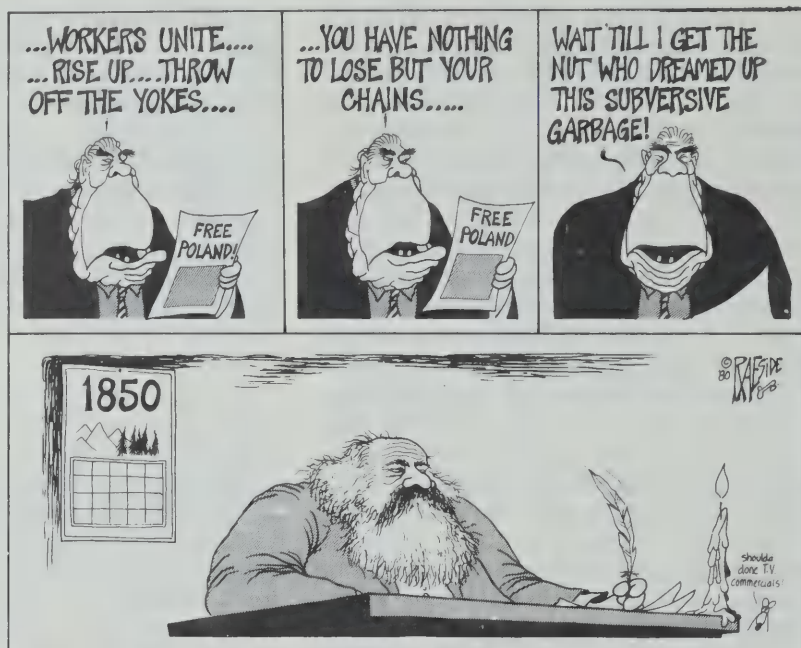
and psychological forces within it that would ultimately bring about its ruin. These forces would cause wages and profits to decline, and would lead to the gradual emergence of class consciousness among the proletariat as they sank deeper and deeper into poverty. At the same time, the bourgeoisie would become wealthier as the means of production fell into fewer and fewer hands. These inevitable changes would lead to depressions, imperialism, wars, and finally to a revolution by the proletariat.

The Revolution and Afterwards

Ultimately, Marx believed, the exploited class would rebel as it had always done in the past. It was possible that the capitalist system would be so weakened by this time that violence would be unnecessary. It was much more likely, however, that the bourgeoisie would fight to retain its power and wealth, as had every other ruling class in history. Because the bourgeoisie controlled the police, the government, the law courts, and the media, violence was almost inevitable. It was not so much that the bourgeoisie as a class was selfish (although many individuals were), it was just that they were blinded by their ideology from seeing the injustices created by the capitalist system.

The revolution would be the final struggle between the exploiters and the exploited. Instead of creating a new form of class domination, as had all previous revolutions, the proletariat would establish a classless society. In fact, there would be only one class left.

Marx's writings on capitalism and its evils were very detailed and thorough, but on the post-revolutionary period he spoke only in very vague and general terms. Following the revolution, Marx envisioned a brief period in which the dictatorship of the bourgeoisie would be replaced by a *dictatorship of the proletariat*; the difference



The cartoonist was commenting on the plight of workers in Poland in the early 1980s. What is the message of the cartoon?

Raeside / Miller Services

was that now the many (the workers) rather than the few (the bourgeoisie) would control the government. This was to be a transitional period during which time both the bourgeoisie and the capitalist system would be converted to proper socialist behaviour. Under the dictatorship of the proletariat, the state would have the following characteristics:

- a centrally-planned economy
- increasing economic production
- distribution of income according to work performed
- increasing economic equality
- a gradual disappearance of classes
- increasing desire to work for the good of society rather than for personal profit

After this short period of transition, Marx believed that the state would "wither away," poverty and crime would disap-

pear, and "human history" would replace "class history."⁴ In this final stage of pure communism, as Marx called it, not only would class differences disappear, but so also would national differences. After a series of revolutions, capitalism would be eliminated, and all people would live as one family.

On the specific economic details of the communist state, Marx was extremely vague. Society's production would be distributed according to the motto, "From each according to his ability, to each according to his need." At first, individuals might tend to be greedy, but as they

⁴Presumably, Marx meant that the *coercive* powers of society would wither away, not that all government and administration would cease. In a classless, egalitarian society, there would be no need to coerce anybody.

discovered that there would always be sufficient goods to meet their basic needs, such feelings would disappear. People would no longer go to work in order to survive and make a profit, as they did under capitalism. Instead, they would work because they wanted to work. In fact, according to Marx, human beings were dominated by the need to create and produce. Under communism, their creative abilities would be released and the material and social accomplishments of society would prosper as never before.

Marx and Communism

Today, one-third of the world's population lives under self-proclaimed socialist or communist governments. They range from a giant, northern industrial state to an agrarian Asian culture, and from a small Balkan country to a Latin-American island. An important point to note, however, is that the theories and ideas of Karl Marx cannot be equated with the practices of these nations. Many people make this mistake. Although it is impossible to fully understand contemporary communism without studying the central ideas developed by Marx, each communist state has interpreted his writings to suit its own specific economic, political, social, cultural, and military needs. The communism of the Soviet Union can, therefore, only be understood by examining the ideas of Lenin and Stalin. The same is true for Mao in China, Castro in Cuba, and Tito in Yugoslavia.

It is thus impossible to speak of a communist or a Marxist ideology. There are many communist ideologies: there is a Marxist-Leninist ideology, a Marxist-Leninist-Stalinist ideology, a Marxist-Leninist-Maoist ideology, and so on. Towards the end of his life, when there were already many different groups calling themselves Marxists, Karl Marx wrote, "Of one thing I

am certain; I am no Marxist." The split between Moscow and Peking, and between the USSR and Yugoslavia, further illustrates that there are important national differences among communist countries.

The Ideal Marxist Society

Bearing in mind that not every Marxist or non-Marxist will agree with the following discussion, let us conclude our description of Marxism by examining the values and principles of the ideal Marxist state. Marxist thought proceeds from an assumption that all people share certain minimum requirements — food, shelter, health, and physical and psychological security. Society should be organized to ensure that everyone's basic needs are met. At the same time, because all commodities are the result of a joint pooling of intelligence, skills, and labour, the nation's resources should be shared to match the needs and interests of all the people. This does not mean strict mathematical equality, but enough for a decent standard of living, personal fulfillment, and self-respect. Individual differences would continue to exist, but they would no longer enable some people to amass enormous wealth, while others lived in dismal poverty.

Economic production would be directed to creating a humane, democratic society in which everyone would have equal opportunity. The economy would be administered by people who would be elected periodically to collect information about everyone's needs, and to decide what should be produced in order to meet these needs.

With private property and the profit motive abolished, and with the existence of a surplus of goods for everyone, crime and greed would not exist. Freedom from exploitation and economic insecurity would allow people to develop their creativity and cultivate their talents and interests. Ac-

cording to Karl Marx:

A being does not regard himself as independent unless he is his own master, and he is only his own master when he owes his existence to himself. A man who lives by the favour of another [his boss or employer] considers himself a dependent being.

The interests of the individual, many Marxists argue, are best served when the

whole country benefits. Society should be based upon co-operation, not upon competition. Because they believe that self-centred, acquisitive people are developed and nurtured by such capitalist institutions as schools, media, law, and government, Marxists believe that the opposite type of personality can be developed by a "socialist education." Individual attitudes and the economic basis of society must be altered to create mutual trust and an identification with common goals. Only then can the ideal society be achieved.

QUESTIONS:

8. Explain why the Industrial Revolution was so important to the development of socialist thought.
9. Outline the major differences between Marx and the Utopian Socialists.
10. Using the following topics, construct a chart that compares the ideas of Milton Friedman (Case Study 11) with the ideas of Karl Marx: human nature, the Industrial Revolution, profits, the relationship between politics and economics, freedom, planning, and economic equality.
11.
 - a) What criteria does Marx use in determining to which class a person belongs?
 - b) Using Marx's criteria, to what class does your family belong?
 - c) What other methods might be used to divide people into classes?
 - d) Do different economic classes exist in Canada? Explain.
12. Write an essay evaluating the ideas of Karl Marx. What are the merits and the weaknesses of his theories?
13. Supporters of capitalism often confuse the ideas of Karl Marx with the actions of the Soviet Union. Re-read Milton Friedman's Claim 3 (Case Study 11) and determine whether Friedman has confused the two. If you think he has, why and how do you think he did so?

RESEARCH QUESTIONS:

14. Design and administer a questionnaire for your community, to discover people's attitudes toward Marx and his theories.
15. Prepare for a debate on one of the following topics:
 - a) There are two basic classes in Canada — the proletariat and the bourgeoisie.
 - b) Marxism is inevitable.
 - c) It is human nature to be self-centred and acquisitive.

16. Research and write an essay on one of the following topics:
- a) The Russian Revolution of 1917 — causes and major events.
 - b) The 1949 Chinese Revolution — causes and major events.
 - c) Lenin's contributions to Marxism.
 - d) Mao's contributions to Marxism.
 - e) The communal experiments of either Robert Owen or Charles Fourier.
 - f) Why capitalism has not destroyed itself as Marx predicted.
-

THE FIRST SOVIET FIVE-YEAR PLAN: CENTRAL PLANNING IN AN AUTHORITARIAN COUNTRY



V.I. Lenin

Tass from Sovfoto

following discussion, keep these basic questions in mind: How well does the centrally-planned economy handle the problems of what is produced, how it is produced, and to whom it is distributed? To what extent should national, political, and economic needs take precedence over individual freedom and well-being?

THE USSR AFTER THE REVOLUTION

The outbreak of the First World War in 1914 pitted France, Britain, and Russia against Germany and Austria-Hungary. After 1915, the war began to go from bad to worse for the autocratic and repressive government of Tsar Nicholas II. Corruption and incompetence combined to leave the Russian army desperately short of munitions and supplies. Unrest grew as the war intensified the terrible conditions existing in Russia prior to 1914. Peasants rioted.

Many workers went on strike; when soldiers joined the strikers, the Tsar abdicated in March 1917, and a democratic government was established.

Unfortunately for the war-torn nation, the new government decided to continue the war with Germany. In the meantime, a small group of "Bolshevik" revolutionaries led by V.I. Lenin were continuing their efforts to overthrow the government and establish communism. They promised to give control of the factories to the workers, to divide up the land among the peasants, and to bring peace. Lenin's slogan, "Peace! Land! Bread!" struck sympathetic chords among the Russian people. In November 1917, the Russian troops mutinied and a second revolution installed a new communist regime which had strong support within the nation's factories.

During the next few years, Lenin attempted to apply many of the principles of Marxian socialism to the Soviet Union. Private property, factories, natural resources, and land were nationalized, the workers were given control of the factories, and the peasants were asked to turn over their surplus food to the workers.

These wholesale changes failed to accomplish their purpose. The peasants wanted their own land and refused to surrender their excess grain when they were offered little in return. When the government began to seize the grain by force, the peasants merely planted fewer crops. By 1920, the amount of land under cultivation was 29 percent less than it had been in 1913. The next year the nation suffered a severe famine. In the cities, workers who had been decimated by war and revolution were unprepared either by education or by training to successfully run the factories. Industrial production declined drastically. Throughout most of this period, the Soviet Union also had to contend with both a civil war and a concerted attempt by foreign troops to drive the government from power. Foreign opponents included, among

others, British, French, Polish, and Canadian troops, whose governments refused to trade with or lend money to the Soviet Union.

Faced with these disruptions, the first major communist experiment in history was headed for disaster. Once the civil war was won and foreign troops forced out, Lenin devised a "new economic policy" (NEP), designed to stimulate both industrial and agricultural production, and to help the Union of Soviet Socialist Republics (USSR) recover from the effects of the revolution. The state retained its control over important industries and natural resources, but it now permitted small-scale private enterprise, and allowed peasants to sell their crops in the open market. The new policy was a combination of private enterprise and state socialism.

The First Five-Year Plan

After Lenin's death in 1924, a split opened within the Communist party between those who believed that the nation should industrialize slowly, and those who wanted to speed up the pace of both industrialization and socialism.

At this time, there were approximately twenty-five million farms in the Soviet Union. Five to eight million peasant families were so poor that they tilled their land with wooden ploughs, and had to hire farm implements and animals from rich farmers. These more prosperous farmers (*kulaks*) numbered approximately one million. The state relied upon kulaks to supply the cities with foods, but they refused to deliver their surplus grain because of the low prices set for agricultural produce. Moreover, the government had very little money to import the machinery it needed to industrialize, and western nations refused to lend the USSR financial help. The Soviet Union needed an agricultural surplus to pay for imported goods and to feed industrial workers. Unfortunately, most of the farms

were so small (2.02 ha per family) or so poor that they were only able to produce enough for themselves. The kulaks were the only people who could provide the necessary surplus for export, but they wanted higher prices for their produce and cheaper manufactured goods. However, industry was just getting started, and was unable to manufacture a wide variety of inexpensive products. If the struggling nation was going to feed its workers and industrialize rapidly, more reliable methods of agriculture and factory production would have to be adopted. But how could this be done?

In 1928 the new leader of the USSR, Joseph Stalin, declared that the rate of industrialization had to be increased at all costs. The new policy was designed to revitalize the spirit of the Communist party. An industrial country, he believed, would free the people from the bonds of poverty and deprivation, but even more important, it would enable the Soviet Union to defend itself against western European nations in a war which Stalin deemed inevitable. Industrialization, Stalin argued, was essential for socialism, and for the nation's preservation:

The problem of heavy industry is more difficult and more important. It is *more difficult* because it demands colossal investments of capital, and, as the history of industrially backward countries has shown, heavy industry cannot be developed without extensive long-term loans. It is *more important* because, unless we develop heavy industry, we can build no industry whatever, we cannot carry out any industrialization. And as we have never received, nor are we receiving, either long-term loans or credits for any lengthy period, the acuteness of the problem becomes more than obvious. It is precisely for this

reason that the capitalists of all countries refuse us loans and credits; they believe that, left to our own resources, we cannot cope with the problem of accumulation, that we are bound to fail in the task of reconstructing our heavy industry, and will at last be compelled to come to them cap in hand and sell ourselves into bondage.²

On October 1, 1928, a Five-Year Plan was prepared by the State Planning Commission to implement Stalin's policy. The fundamental aims of the Five-Year Plan were to expand the nation's heavy industry sector so that it could provide industrial machinery, transportation facilities, and military weapons; to introduce modern technology; to eliminate most privately-owned farms and create state and co-operative farms in their place; to eliminate private enterprise; and to make the USSR self-sufficient.

The plan was declared completed after only four years and three months, and a second Five-Year Plan was initiated to continue the Soviet Union's drive towards industrialization. By the end of the decade, a firm industrial base had been created and the USSR ranked fourth in the world in terms of industrial output. Within four years the number of industrial workers rose from three to six million. Illiteracy rates declined from 80 percent to 10 percent. By

1934 the Soviet Union was producing more pig iron and steel than Great Britain. During the first Five-Year Plan the production of oil doubled, electric power increased by 550 percent, machinery production grew by 400 percent, and such new industries as synthetic rubber, plastics, and aviation were established. The percentage of farmers on state and co-operative farms grew from 1.7 percent in 1928 to 61.5 percent in 1932, and to 93.5 percent at the end of 1938. According to Nikolai Baibakov, the early Five-Year Plans transformed the Soviet Union into a major industrial power:

The country was [placed] firmly on the path of industrial development. The success of socialist industry created the prerequisites for the planned control of agriculture and prepared the basis for the widespread introduction of collectivization. . . . The success of socialism in all economic sectors permitted the growth of the standard of living of the population; unemployment, the scourge of labourers in capitalist countries, disappeared.³

This tremendous industrial growth was not achieved without some sacrifices. The concentration on steel, tractors, railways, and hydroelectricity meant that consumer needs were largely ignored. The production of sufficient shoes, clothing, and housing was left for a later date. Even food had to be rationed. Present shortages were justified on the grounds of future gains.

Impact of the First Five-Year Plan

Nothing appeared to matter to Stalin as long as his plan was fulfilled. As a result, factory labourers were cruelly overworked, safety precautions were ignored, and housing conditions were miserable.

²From J.V. Stalin, "A Year of Great Change (On the Occasion of the Twelfth Anniversary of the October Revolution)" and "Problems of Agrarian Policy in the USSR (Speech Delivered at the Conference of Marxist Students of the Agrarian Question, December 27, 1929)," in *Problems of Leninism*, Moscow: Foreign Languages Publishing House, 1940, pp. 294-298, 302-305, 308-309, 325-326. Quoted in Daniel R. Brower (ed.), *The Soviet Experience: Success or Failure?*, New York: Holt, Rinehart and Winston, 1971, p. 28.

³Baibakov, "Economic Planning," p. 46.

Those who suggested caution and recommended more humane conditions were branded as spies or saboteurs, and were exiled or imprisoned. Factory managers feared for their lives if they failed to fulfill their production quotas. Private enterprise merchants were declared aliens and deprived of their civil rights — including housing facilities, food rations, and medical services.

Most of the three million new industrial workers were created by forcing the peasants off their farms and into the cities. They were not prepared for this new way of life and frequently vented their frustrations by ruining machinery, working slowly, or breaking the law. To produce better workers and more social uniformity, Stalin relied on both coercion and persuasion. Newspapers, radio, films, books, and posters were utilized to publicize Stalin's goals. They extolled the "heroes of the production front," agitated for the success of production quotas, exposed the unsatisfactory performance of "laggards," and told the people it was their patriotic duty to work hard. Factory schools were created to teach good work habits and to improve the labourers' skills. Soviet schools were ordered to emphasize such "Communist virtues" as devotion to hard work, conformity, sobriety, nationalism, and the infallibility of its leaders. Each teacher was expected to indoctrinate the young, spread official information, and create efficient workers and managers. Those who refused were dismissed.

To prevent absenteeism, local superintendents were empowered to deprive factory workers of their food cards and their housing facilities if they were absent for even one day without sufficient reason. These punishments, however, were infrequently imposed. Labourers who worked slowly, or produced goods of low quality, were punished — often brutally. They were broken to the habits of factory work and kept under control by ruthless drill and

discipline. Pensions were made dependent upon performance, and the workers were paid for each item they produced. More positive incentives included better food and accommodation, and longer vacations. Such measures, the Communist Party believed, were essential in a country where the labour force was unused to industrial conditions. For most workers, however, the 1930s were a period of hardship and bitter experience.

The Kulaks and Collectivization

Industrialization was to have been financed by surplus produce from the farms. However, as we have already seen, the majority of the peasants were too poor to produce a grain surplus, and the prosperous kulaks were unwilling to sell their crops for the low prices set by the state. Stalin's solution was to create large-scale collective farms where peasants would work together under state direction. Larger farms could afford to use modern machinery, which would help increase agricultural production. The mechanization of farming techniques would also release thousands of peasants to work in the newly developing industries in the cities. Collectivization would remove the well-to-do kulaks who were viewed as the last remnant of capitalism and represented a threat to the principles of communism. Finally, the collective farms had an important military objective; in time of war, they would provide the basis for organized resistance.

Two types of farms were established. State farms were created to test new methods in mechanized agriculture. These farms were financed and operated by the government, which hired workers on a wage basis and kept the produce for state use. Collective farms were created by combining a number of peasants' holdings into one large farm. The peasants were allowed to keep their homes and animals, but all land and machinery was owned collectively

by the group. An elected managerial board would make all the important farming decisions about what to grow, what machinery to use, and how much money to put aside for future use. The remaining income would be divided among the farmers in proportion to their property and to the work they had performed.

At first, collectivization was voluntary. Special inducements in the form of lower taxes, easier borrowing facilities, and the use of tractors and modern machinery were offered to encourage the peasants to join the collectives. Because only the poorer peasants joined, Stalin soon came to the conclusion that the richer farmers would have to be coerced into entering the state farms. In 1930 he inaugurated an all-out offensive against the kulaks. "We must smash the kulaks, eliminate them as a class," Stalin proclaimed. "We must strike at the kulaks so hard as to prevent them from rising to their feet again. . . ."

Peasant was set against peasant. Committees of poor peasants were formed to denounce hoarders, and the government encouraged them to confiscate the kulaks' machinery and livestock for the benefit of the collective farms. Search parties were sent into the countryside to seize hidden supplies of grain. Village authorities were given permission to handle the kulaks in their own way, and the villages that resisted were surrounded by soldiers carrying machine guns. The kulaks were forced to surrender; some had the shoes taken from their feet, and their clothing — including warm underwear — confiscated. Men were sent to prison on circumstantial evidence, or even without evidence. Some of the middle-income and poor peasants lost their belongings. Many rich farmers divorced their wives so that the women and children would be spared. The government was reluctant to curb the worst abuses because it did not want to undermine the authority of the villages.

Rather than allow their property to fall



A collective farm in the Stavropol region of Russia.

Miller Services

into the hands of the state, the kulaks destroyed their machinery, burnt their crops, and killed their cattle. By 1931, one-third of the nation's cattle, one-half of its sheep and goats, and one-quarter of its horses had been slaughtered. Agricultural production was lower in 1933 than it had been in 1928, and famine stalked the land in 1931 and 1932.

Within a few short years more than 100 million people had been forced to radically change their lifestyles. The number of deaths reached unimaginable proportions — estimates vary between five and ten million. Tens of thousands of kulaks were deported to unpopulated regions in Siberia,

thrown into prison, or sent to work camps. The Russian countryside glowed red, with the sky lit by the flames of burning peasant huts. The ground was darkened with the blood of slaughtered cattle. Much of the agricultural produce was seized by the government and used to pay for needed industrial machinery. The Russian people were forced to live on short rations while millions of tonnes of grain were exported to other countries.

Yet out of this chaos and destruction, the

collective farm system was established. Huge state farms, averaging about 40 000 to 80 000 hectares, were established on previously unused land. Thousands of tractors and combines were put into operation. Some twelve million hectares of land were organized into state farms and, by 1937, over 90 percent of these farms were collectivized. The harvests of 1933, 1934, and 1935 were the largest in Russian history. Soviet agriculture had been made more efficient — but at what cost?

QUESTIONS:

1. Explain why Stalin was so determined to collectivize agriculture.
2. Using the Five-Year Plan (1928–1932) as an example, make separate lists of the advantages and the disadvantages of a centrally-planned economy.
3. Explain why the centrally-planned economy is sometimes called a “command economy.”
4. The Soviet experience indicates that central planning can accomplish industrialization — although not necessarily more effectively than other economic systems. Do you think the costs (deferred consumption and low priority on individual freedoms) are worth it? Explain. How do *your* values differ from Stalin's? Why?
5. Re-read the statement by Nikolai Baibakov at the beginning of this Case Study and comment on the validity of his conclusions.
6. Do you think the aims of the Soviet educational system were much different from the goals of our system? Explain.

RESEARCH QUESTIONS:

7. Bearing in mind that the Soviet Five-Year Plan illustrates an extreme example of government coercion, and that a centrally-planned economy can exist within democracies as well as dictatorships, prepare for a debate on this statement: “Because national needs should take precedence over individual needs, a centrally-planned economy is a superior economic system.”
8. Before condemning the brutality of the Soviet Five-Year Plan, it is useful to examine the conditions in Great Britain and Canada during their Industrial Revolutions. Research and report on one of the following topics:
 - a) Industrial conditions in Great Britain in the eighteenth century. Useful sources include: Malcolm Thomis, *The Town Labourer and the Industrial Revolution*, London: B.T. Batsford, 1974, Ch. 5, 6, 8, 10; *A Textile Community*, and *A Coal and Iron Community in the Industrial Revolution* in Longman's, “Then and There Series.”

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- b) Factory conditions in Canada during the late nineteenth and early twentieth centuries. Read: Greg Kealey (ed.), *Canada Investigates Industrialism*, Toronto: University of Toronto Press, 1973; Michael Piva, *The Condition of the Working Class in Toronto, 1900-1921*, Ottawa: University of Ottawa Press, 1979; Terry Copp, *The Anatomy of Poverty*, Toronto: McClelland & Stewart, 1974, Ch. 1-3, 8; M.S. Cross, *The Workingman in the Nineteenth Century*, Toronto: Oxford University Press, 1974, Ch. 2.
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PLANNING IN THE USSR

Other theoreticians disagree. Oskar Lange, for example, believes that if a central planning board established prices for all goods and services, it would know what the people wanted by the amount of each item that was purchased. In this Case Study we will examine how the contemporary

All major economic policy decisions are made by the government, not by the individual firms themselves. For the most

part, Soviet enterprises do not sell their products to other companies as is done in Canada. Instead, government planning boards determine to which firms the products will be sold, in what quantities, and at what price.¹ Competitive consumer goods are sometimes produced by different companies, but if one company manufactures a better product than the other, it is told by the government to adopt the technique of the more efficient factory. Business profits belong to the state rather than to individual firms. Some factories continuously operate at a loss, but are supported from the profits of other enterprises.

Planners naturally find it difficult to determine exactly what items people would buy if they had their choice. Today, more emphasis is placed on providing such luxury goods as automobiles, televisions, and furniture. Because marketing surveys are still in their infancy, Soviet economists frequently observe the buying patterns of other European nations and then attempt to provide similar goods. All major decisions involving the distribution of scarce resources between consumer goods and military or industrial needs, however, are made by the Communist party.

PRICES AND THEIR USES

Although consumers are free to buy whatever goods they can afford, demand only partly influences supply. The Soviet government uses its control over prices to help accomplish its goals. Low prices, for instance, are set on school books in order to promote education, and on children's clothes to encourage large families;

whereas high prices are used to curb the consumption of less socially desirable items such as vodka. Another objective is to reduce the gap between income levels. To do this, the government sets a low price on such items as basic foods and clothing, which constitute a large proportion of the expenditures of the lower income groups, and fixes a higher price on luxury food-stuffs and automobiles that are more often purchased by people in the higher income groups. In this way, the Communist party influences the buying practices of the citizens, based upon what is perceived as the best interests of the nation. It should also be noted that Soviet leaders are often discouraged from increasing the price of food and clothing because of the possibility that the people will hold a protest strike.

PLANNING STAGES

The Soviet economy is controlled by an elaborate superstructure of economic plans. Long-term plans establish general targets for up to twenty years ahead; five- to seven-year plans set more specific goals; annual, quarterly, and monthly plans are the most detailed. These plans undergo constant revision to correct original errors and to provide for unforeseen circumstances. The purpose of the long-range plans is to point planners in the "proper" direction. They set down broad objectives for the economy by weighing social, political, international, military, and scientific goals. Every plan ranks its priorities from most to least important. This ranking system is determined by the Communist party.

There are four stages to each plan. As their first step, planners use past performances to calculate how much of the nation's physical and human resources will be needed to fulfill the requirements of the most important targets. Moving on to less important targets, they go down the list of priorities until all resources are exhausted.

¹Unfortunately, this plan does not always work well in practice. As a result, many companies often trade among themselves with the help of individual people termed *expeditors*. This trading is officially illegal, but the law is not enforced.

A SIMPLIFIED PLANNING MODEL

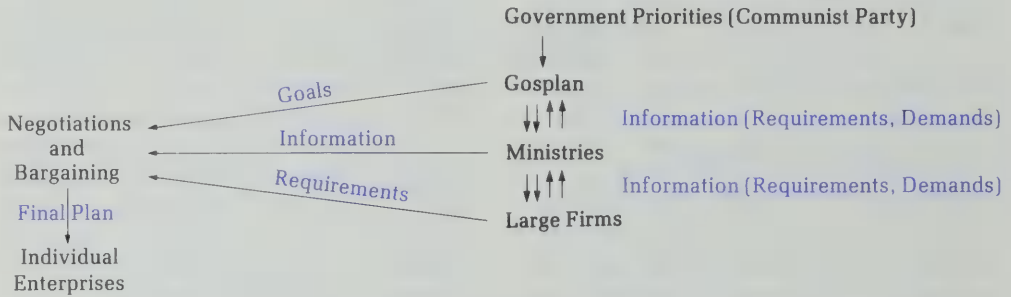


Fig. 4-2

The *Gosplan* (the central planning agency) then informs the regional ministries, which are in charge of specific sectors of the economy, of what commodities are needed, and in what amounts. Another planning body called the *Gossnab* determines how commodities will be distributed. There are also separate agencies for determining prices, labour matters, technology, and foreign trade. In addition, each region and town has its own planning bodies.

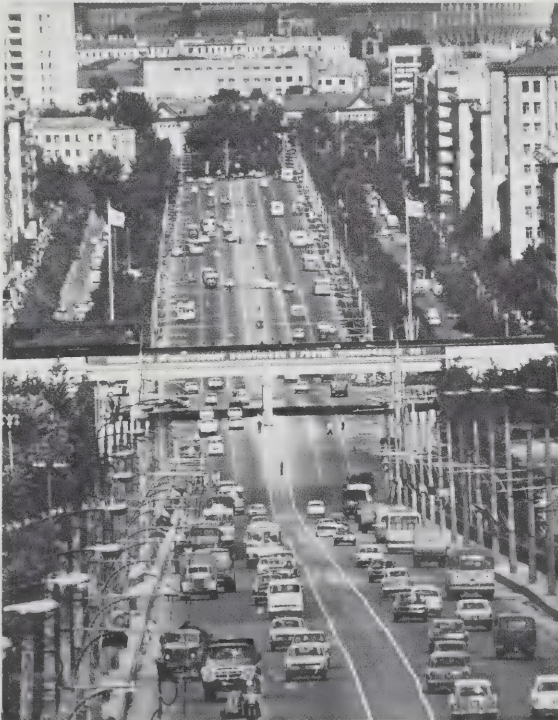
In the second stage, the ministries and the larger firms determine whether they can meet these targets, draw up a list of all the resources (workers, money, equipment, natural resources) they require to fulfill these goals, and report back to the Gosplan. In the third stage, the Gosplan co-ordinates all these demands. Heads of the ministries and large firms meet with the Gosplan and from these negotiations, which often become quite heated, a national economic plan emerges that is much more detailed than the original directives. In the final stage, each firm is issued orders detailing production quotas. Physically, the five-year plan is a book of several hundred pages. The first chapter discusses the government's goals, and subsequent chapters describe how these goals will be achieved in the areas of industry, agriculture, for-

estry, transportation, living standards, foreign trade, housing, and so on.

MERITS AND DRAWBACKS

The Soviet economy, as we have mentioned previously, does not have an ideal centrally-planned economic system. Approximately 10 percent of the small retail stores are privately owned. More important are the tiny plots of land that each farmer is allowed to do with as he pleases. Although these plots constitute less than 3 percent of the total arable land in the USSR, they produce approximately 30 percent of the nation's food supply, and in some items the proportion reaches almost 90 percent.

The major advantage of central planning is that it allows the government, rather than the market system of supply and demand, to determine what goods the nation needs and who will get these goods. If these decisions are not felicitous, it is the fault of the political system, not of the economic system. Of course, there are also disadvantages to central planning. When the planners make a "wrong" decision, the effect can be disastrous because the plan is carried out on a national scale. Highly centralized plans are slow to respond to unforeseen changes. Because there is no built-



Compare this photo of a Red Square parade in 1925 with the recent photo of a Moscow thoroughfare. What do the contrasts suggest about (a) the success of economic planning in the USSR? (b) the reason for the apparent widespread support for the Communist regime today?

Miller Services

in method of discovering consumer desires, huge inventories of unwanted goods often languish for years in warehouses or on store shelves. At the same time, shortages of desired consumer goods are a constant problem. Finally, when controls are highly centralized, individual initiative and innovation are frequently stultified. The Soviet Union, for example, has had to import foreign technology and establish an underground smuggling network to procure such advanced technological data as computer microchips. It is partly because of this absence of initiative that the Soviet Union has adopted a system of incentives.

THE USE OF INCENTIVES

The desire for profits is the major motivating force in a private enterprise economy. Companies spend millions of dollars on research and development in the hope that they can develop a product that will out-sell their competitors'. Individuals work hard not only to keep their jobs, but also to procure a raise. Generally, the greater the production, the greater the profits. One of the most frequently-heard complaints made by private enterprisers about socialism or government-operated industries is that there is no incentive for government employees to work hard or to ensure that the industry will run efficiently.

Since almost all enterprises in the USSR are government-owned and operated, everyone is a public employee. Soviet firms strive, above all, to fulfill the directives of the Gosplan; profits, which go to the government, are incidental. The manager's goal is to fulfill the government's plans, rather than searching for the best production methods.² To solve this problem, the

Soviet Union has adopted a wide variety of different incentive plans.

Increased agricultural production from the Soviet collective farms is encouraged in two ways. At the end of the year, each farm distributes its profits among the farmers' according to their work record. Each farmer's contribution is determined by assigning a money value to every task, based upon the difficulty of that task and the time needed to accomplish it.

Piece rates and bonuses are used to encourage greater efforts from the factory workers.³ When the labourers' output reaches a specific level, they receive a bonus. Higher wages are given for dangerous and unattractive work, in order to induce people to enter these fields. Salaries are also based upon expertise — the more skill involved, the higher the rewards. As a further incentive, when an enterprise fulfills the government's plan, it receives a share of the profits for its "enterprise fund." Enterprises expected to show a loss for the year receive part of any saving they might have achieved from reducing the expected loss. Production in excess of the government's plan increases the "enterprise fund," whereas underproduction will decrease the size of the fund. The "enterprise fund" can be used to pay annual bonuses to the workers and managers, to help needy employees, to improve working conditions, or to provide better housing.

Managers themselves receive bonuses of over 30 percent of their basic salaries for fulfilling the production goals set by the Gosplan. Other bonuses are given for introducing new technology and for producing consumer goods out of waste materials. In addition to these material incentives, the managers might be given preferential hous-

²One economist tells the story of a transportation firm which moved carloads of water back and forth on the railway tracks in order to meet its quota of having moved a specific volume of water for the year.

³Piece rate workers receive a set amount of money for each item they produce. All workers, however, receive a guaranteed minimum salary.

ing, theatre tickets, special vacations, the use of a company car, or be allowed to shop in the prestigious stores that contain a wide variety of goods. Useful technological

inventions are awarded with large cash grants, media coverage, and membership in such esteemed orders as the Badge of Honour or the Order of Lenin.

QUESTIONS:

1. In what ways is the Soviet economy similar to a monopoly?
2. Explain the differences and similarities between the use of prices in the USSR and in Canada.
3. Is there much difference between the Soviet's incentive system and the profit motive of private enterprise? Explain.
4. Do the advantages of the Soviet economic system outweigh its disadvantages? Write an essay explaining your answer to this question.

RESEARCH QUESTIONS:

5. Prepare for a debate on one of the following topics:
 - a) The Soviet economic system is superior to the Canadian system.
 - b) Government-owned companies cannot compete successfully with privately-owned firms.
 - c) The average person has less control over the economy in the private enterprise system than in a centrally-planned economy.
 6. a) Divide into small groups. Imagine that you are a committee in the Gosplan. Your task is to provide chairs for a new school that is presently under construction. Make a list of all the specific questions you would need answered before deciding upon how many should be manufactured, what design should be used, and what materials should be employed in their construction.
 - b) Explain how these decisions would be made in Canada.
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PLANNING IN A COMMUNAL SOCIETY: THE HUTTERITES

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tortured by the Catholic Church. One death sentence read: "the executioner shall take him [Michael Sattler, convicted of heresy] to the square and there first cut out his tongue, then [tie] him fast to a wagon and there with glowing iron tongs twice tear pieces from his body, then on the way to the site of the execution five times more as above and then burn his body to powder as an archheretic."

The Hutterites were welcomed into Moravia by the local barons who hoped to benefit from their agricultural and technical skills. During the next one hundred years, the Hutterites prospered and their numbers expanded to approximately 20 000. At the turn of the seventeenth century, persecution began again. The Hutterites were robbed, tortured, and executed. Children were taken from parents, and the aged were sent to monasteries. Finally, they were driven out of Moravia. For the next 150 years the Hutterites wandered through

south-eastern Europe in search of a permanent home. At last they were invited to Russia in 1770 to serve as a model for the backward Russian peasantry. Free from persecution, the remaining one hundred Hutterites soon began to prosper and grow in number. However, this prosperity and religious freedom weakened group spirit and the Hutterite community slowly began to break apart. The Hutterite saying "Good times have never yet made good Christians," is a reminder of these days.

In 1870, the Russian government changed its attitude toward the Hutterites and decided to assimilate them. Once again they were forced to flee from persecution. All 800 Hutterites travelled to the United States and settled in South Dakota, where they stayed until the First World War. In 1918, they moved to Canada to escape from harassment engendered by a refusal to fight in the war because of their strong pacifist beliefs.

QUESTIONS:

1. Explain why the Hutterites have been able to resist assimilation.

RESEARCH QUESTION:

2. How well have Canadians treated the Hutterites? For research material read: Howard Palmer, *Land of the Second Chance*; David Flint, *The Hutterites: A Study of Prejudice*, Oxford University Press, 1975; A. Hostetler, G.E. Huntington, *The Hutterites in North America*, Holt, Rinehart and Winston, 1967, Chapter 5.
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BELIEFS AND PRACTICES

Much of the persecution that the Hutterites encountered can be attributed to their different way of life. Their beliefs have either been misunderstood or been viewed as a direct threat to the dominant culture. The Hutterites might describe their beliefs in the following way:

We are Christians.

All meals are prepared and eaten communally.

We look to our religion to tell us how to dress, think and behave.

We do not believe in such worldliness as television, dancing, make-up, cigarettes,

movies and card-playing.

We are pacifists: "Thou shalt not kill!"

True Christianity can only be maintained by remaining apart from the outside world. Because human nature is materialistic, vain, and acquisitive, only strong group pressure and strict rules and regulations can protect a Christian from worldly temptations.

Everyone works according to his or her ability, and receives according to his or her needs.

Everyone is of equal value; no one is better than another.

Our hymns, prayers, and sermons are all conducted in High German.

We do not sing the national anthem or run for public office in the outside world.

Proverb: "Just as iron tends to rust and the

soil nourishes weeds if it is not cultivated, so children require continuous care to keep them from their natural inclinations toward injustices, desires, and lusts."

Our goal is self-surrender, not self-development. The communal will is more important than individual desires. The individual must be humble and submissive.

Women should obey men, and men must look after women.

God created all things for common use. The sun, moon, land, air, and manufactured goods are for the good of all people. To make them private property is to ignore God's word that "whosoever will cleave to Christ and follow him must forsake such things."

All members shall give and devote their time, labour, services, earnings and energies to the community freely, voluntarily, and without compensation.

QUESTIONS:

3. What beliefs and practices do the Hutterites have that might explain why they have been subjected to persecution? Is it justified?
 4. How do the Hutterites justify their communal beliefs?
 5. How have the Hutterites been able to maintain their beliefs?
 6. What are the underlying values of their economic system?
-

COMMUNAL WORK

Every Sunday evening after supper, the Hutterite responsible for the economic prosperity of the colony (the Householder) presents to the preacher a summary of the work that needs to be done during the coming week. Together, they work out a plan and distribute work assignments that are not part of the daily work routine. The work schedule varies from season to season, according to the weather and accommodating special tasks. Each age group has

its own daily schedule. What follows is an example of a typical daily work schedule:

The time of rising is determined by their special work assignments and the age and number of their children. The woman who is baking mixes the bun dough at 3:30 a.m., the cowman starts milking at 4:30 a.m., the mother of a young baby nurses him at 5:00. At 6:15 the rising bell rings, and at 6:30 the bell for adult breakfast is sounded. At 6:45 the school children eat breakfast, and the three- to six-year-olds go to the

kindergarten for their breakfast. After eating, the schoolgirls clean the dining room and kitchen. Before the children's breakfast the women clean the adult dining room, wash the dishes, and gather food to carry back to the house children whom they feed in the apartments. The men do their chores, and the unassigned men and boys assemble informally to learn their job assignments for the morning. The work bell for the women rings any time between 7:15 and 8:50, depending on the amount of colony work. About 9:00 a.m. the adults and any children working with them pause at their places of work for a snack of a cool drink or coffee with buns. At 10:00 a.m. the bell rings to announce dinner for the kindergarten children and the house children. Dinner is brought to the kindergarten, and the three- to six-year-olds are fed by the kindergarten mother who then puts them to sleep. Mothers carry food home for their house children, feed them, and put them to bed. At 11:00 the bell rings for the school children's dinner. At 11:30 the warning bell rings to remind the men to get ready for dinner. At 11:45 the dinner bell rings, and all the adults eat their main meal, seated at their assigned places, the men on one side of the room, the women on the other, arranged around the tables according to age. Afterward the women wash the dinner dishes, the adults rest, and then have a light snack. After the snack the men return to work, and some time between 1:30 and 2:30 the work bell rings signaling the women's return to the kitchen for colony work. At 3:00 p.m. the kindergarten children are fed a snack, recite their prayers and go home about 3:30. At 5:00 the mothers carry food back to the apartments and feed their house children and kindergarten children. At 6:00 the bell rings for the school children's supper. At 6:30 the school children and all the adults assemble for the daily church service. The adults eat at 7:00. After the meal area is cleaned

up and the men have finished the evening chores, the members of the colony are free to talk, visit, or work on individual projects until it is time to give the children a snack, supervise their prayers, and put them to bed. It is a schedule that keeps everyone busy, but unhurried.

WOMEN'S SCHEDULE

Certain women have nonrotating positions of responsibility assigned to them. The most influential position is that of head cook, and the second most influential is that of gardener. The tailoress is frequently the oldest active woman in the colony, and with the help of one or two elderly women, she divides the cloth and distributes clothing and tools among the colony members, keeping a record of what has been distributed. Generally two older or unmarried women are assigned to care for the kindergarten. In some colonies there are three kindergarten mothers, and occasionally only one. The women alternate and are in charge of the kindergarten for one day at a time. . . .

With the exception of these positions, work roles for women rotate, with the change-over taking place on Sunday night. Basically the schedule is arranged according to age, but it becomes modified by childbirth, illness, visits away from the colony, and by time taken to care for a new mother. The two most responsible rotating jobs are cooking and baking. Women begin cooking and baking when they are seventeen years old and stop when they are aged forty-five or over. Other rotating jobs are helping in the milk house, cleaning up after meals, making noodles, and supervising canning. Women begin this work when they are fifteen and continue until they are forty-five or fifty. In addition to the rotating colony jobs there is general colony work that the women do as a group. This involves food preparation such as rolling

buns, peeling potatoes, canning and freezing food, butchering chickens, ducks, and geese, and helping when pigs are slaughtered. The women help with food production by planting potatoes, hoeing the garden, picking vegetables, and caring for ducklings and goslings. They also pluck ducks and geese to obtain feathers that are used both by the colony to make bedding and are sold as a cash crop. The women make the soap and clean the colony buildings; they scrub the kitchen at least once a week. Girls between the ages of fifteen and marriage do most of the colony scrubbing, and all the painting and varnishing, and most of the fruit picking. . . .

Work patterns for women are traditional but they are modified by informal consensus of the women under the direction of the head cook. They decide when there are enough women to divide into teams for dishwashing, potato peeling, and noodle making. It is they, and not the men, who allocate certain jobs to the unmarried girls. In addition to their colony work, women must keep their apartments in immaculate order, make the clothing used by the members of their family, do the family washing, and feed and care for their house children.

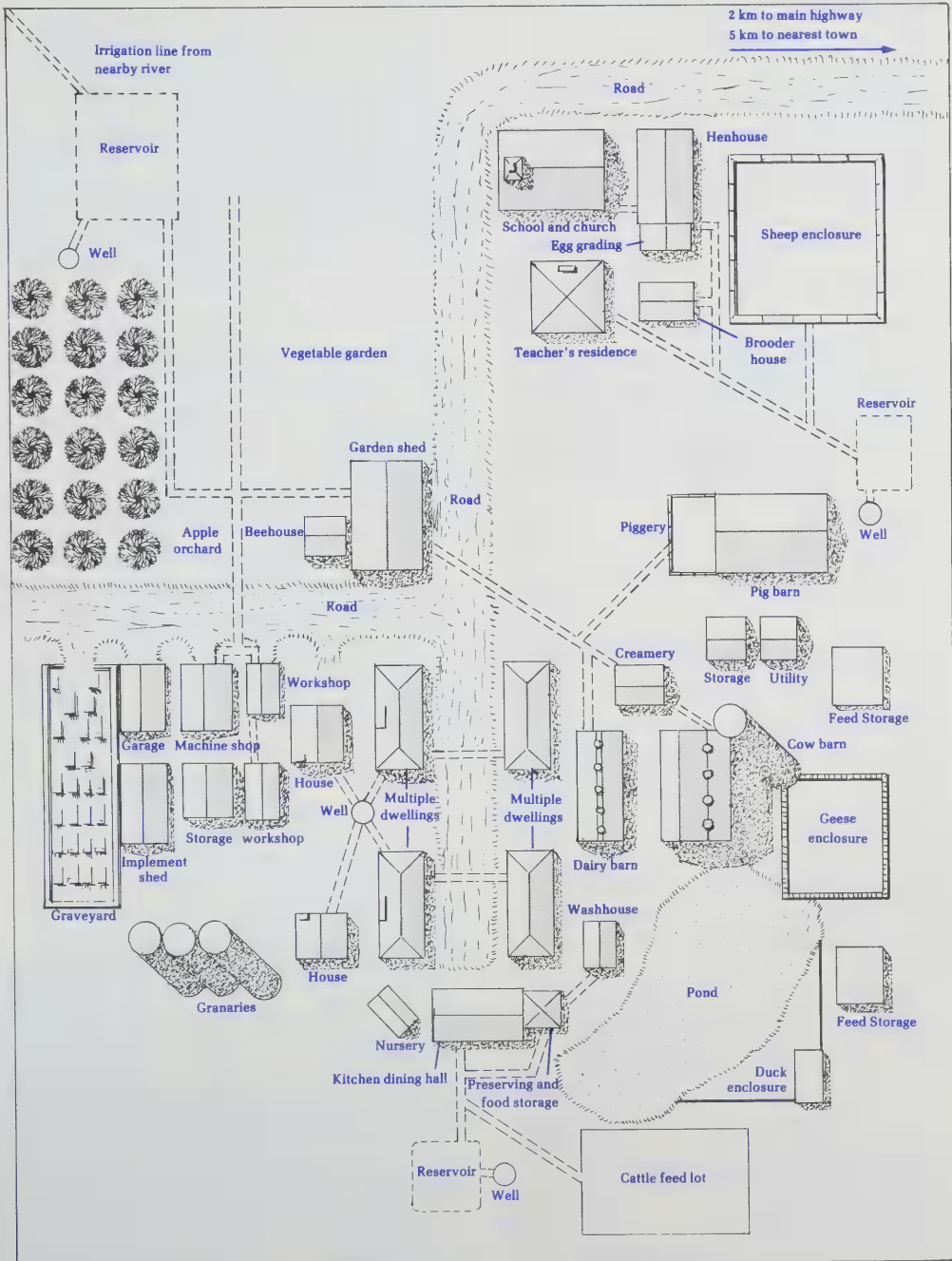
OLD AGE

There is no abrupt age of retirement. Women usually are relieved of their rotating colony job between the ages of forty-five to fifty. Those who hold the positions of head cook or kindergarten mother continue until they are too old to fulfill these responsibilities. Often women are not assigned to the kindergarten until they are in their forties. The first jobs women give up are milking and hoeing. Milking requires early rising and lifting heavy pails. Usually they also give up cooking and baking. If they still enjoy these activities, there is opportunity to help a daughter or a daughter-in-law or to substitute for someone. Most

women help with food preparation as long as they are able, for they prefer working to sitting alone in their apartment. When an older person loses a spouse, he often moves in with one of the children or into a room adjacent to their home. A grandchild is assigned to run errands or even to sleep with the older person to keep him company during the night. When they become too old or weak to go to the dining room, meals are carried to apartments of the elderly. Older women who are doing very little colony work will help look after the babies who are brought to their apartment.

Retirement among men is more difficult to manage than among women. The problem is to persuade an older man to give up his position if he wants to keep it. An elderly man is frequently removed from a foreman position and is simultaneously elected to a position on the council if he is not already on the council. In this way his conservative influence is constructive and the economic development that requires constant change is put into the hands of a younger, more adventurous man. . . .

Old people are not forced to exert themselves nor are they denied active participation. They can reduce their work load without fear of losing status or of being excluded from the policy-forming group, the *Gemein*. The contribution of an old man to the colony is limited economically, but his strong identity with the tradition of the colony and the respect he gets from young members is a stabilizing influence. Communication between old and young is maintained, and old persons can keep abreast of the changing times as much as they wish. Old age is not a period of loneliness and isolation or of economic deprivation. Occasionally the oldest active man cuts the fresh loaves of bread and keeps every table in the communal dining hall supplied with bread. He is given the honorable position of *Brotschneider* (bread cutter). He may eat later with the head cook and the householder.



Layout of a typical Hutterite colony.

Adapted from diagram by Fred Huffman. From *The Hutterites* by David Flint, © Oxford University Press Canada.

QUESTIONS:

7. How does the Hutterite's attitude toward work differ from that of the private enterprise system?
 8. How do the Hutterites determine what will be produced, who will do what work, and to whom the goods will be distributed?
 9. List the advantages and disadvantages of the Hutterite work system. State whether you prefer the communal work system or the private enterprise work ethic, giving reasons for your choice.
-

The following fictional interview sums up the organization and ideas of the Hutterites:

DR. HAZLETON (Anthropologist): Tell me, Mrs. Hofer, what does personal property mean to you?

BARBARA HOFER (Hutterite woman): It is something that has been given to me by the colony to use.

DR. HAZLETON: What items do you have that are yours?

BARBARA HOFER: Nothing much to speak of. I do not need very much because the colony provides me with everything I really need. I have a few gifts given to me by friends, and some things I bought with my allowance. The delicate items are kept locked in a trunk to prevent the children from breaking them. I remember when I was a young girl; I used to hide my candy, scarves, and chewing gum from my older brother.

DR. HAZLETON: But surely you have more than this. What did you have when you got married?

BARBARA HOFER: On our wedding day my husband's colony gave us a bed, a pillow, a table and two chairs, cupboard, stove, sewing machine, and a wall clock. My colony provided us with seven and a half years of bedspread material, six pillow cases, a kettle, two cups and saucers, a

spoon, knife, fork, scissors, and a large chest.

DR. HAZLETON: What did you do when your family began to grow?

BARBARA HOFER: The colony provided us with extra beds and rooms. For each baby we were given two extra metres of cloth for sheets, four metres for dresses, two metres of flannel for underwear, and four metres for diapers.

The colony has a rule book that says how much cloth each person may have on the basis of his or her age. Overweight people get additional material. When I was a girl, I was allowed to drink forty-eight bottles of soft drink a year. Now that I'm an adult, I can have twice as many bottles.

DR. HAZLETON: Why is it that everyone seems to dress alike?

BARBARA HOFER: Our distinctive clothing helps unite the colony by discouraging vanity and an interest in worldly fashions. It represents our separation from the rest of the world.

But really, we don't all dress the same. My husband refuses to wear some colours, and my youngest son is very particular about how he dresses. I always select cheap cloth which will wear out quickly, so I can have different dresses more frequently. Since everyone was given a small monthly allowance a few years ago, the "Avon lady" sometimes comes here and

sells hand lotion and face creams (but not cosmetics).

DR. HAZLETON: Have you ever considered leaving the colony for the outside world?

BARBARA HOFER: Why should I? No one is ever in need. Everyone helps in the work according to ability, and no one is considered better than others. Our life glorifies God.

DR. HAZLETON: Who makes the important economic decisions in your colony?

BARBARA HOFER: We do not distinguish between social, economic, religious, and political decisions.

DR. HAZLETON: Who makes these decisions?

BARBARA HOFER: The Assembly.

DR. HAZLETON: Who is in the Assembly?

BARBARA HOFER: All the male baptized members of the community. Usually all the men twenty years of age or older.

DR. HAZLETON: Isn't this a rather large group to make all the decisions?

BARBARA HOFER: The Assembly elects a council of from five to seven men. They hold the key positions in the colony.

DR. HAZLETON: Who are these important men? What are their positions?

BARBARA HOFER: The minister is the most important person. He conducts the church services, maintains our faith, and disciplines us when we go astray. He tells us how to dress, and keeps an eye on the growth of the colony.

The minister is the head of the council, and the council is responsible for the operation of the colony. His vote counts no more than others, but his suggestions are usually adopted.

DR. HAZLETON: How is the minister appointed?

BARBARA HOFER: He is elected. A vote is conducted by ballot until only three names are left. Each man then draws a piece of paper from a hat — the person who draws the marked slip is thus divinely chosen.

DR. HAZLETON: What training does the minister have?

BARBARA HOFER: He has no formal training before he is elected. However, he should be conservative when it comes to religious values, and progressive in economic affairs. He must be intelligent, and able to exert authority wisely.

DR. HAZLETON: Who else is on the council?

BARBARA HOFER: The Householder is second in authority, and in some areas is superior to the minister. He is the financial expert and manages the entire economy of the colony, with the help of the department managers.

DR. HAZLETON: What is a department manager?

BARBARA HOFER: Oh, you know, head carpenter, shoemaker, mechanic. Or the man in charge of the crops, the vegetable gardens, the geese, etc. These individual managers make the day-to-day economic decisions. However, in order to get new equipment, or to make improvements, they must get the approval of the Council, and of the Assembly. The Council appoints the managers.

DR. HAZLETON: I noticed that most of these managers were older men in their thirties or forties. Do the young men ever get a chance to take on some responsibility?

BARBARA HOFER: When a colony reaches a certain size, anywhere between

130 and 150 people, it divides into two separate groups. This gives more men a chance at becoming leaders.

DR. HAZLETON: I hear the bell ringing, and I don't want to keep you from your chores, but answer me one last question: If all goods are shared, what motivates your people to work hard?

BARBARA HOFER: Don't worry about the bell. We're not soldiers. Someone will take my place. But to answer your question, if a person does not work hard, he or she will lose the respect of the community. We work for the benefit of the whole group. If someone is not doing their share, we do not hesitate to report it to the Assembly, because it hurts us all. No one likes rejection.

QUESTIONS:

10. Do the Hutterites believe in exact equality? Explain.
11. Explain why so few Hutterites ever defect from their colony.
12. To what extent can the Hutterite colonies be described as democratic?

SUMMARY QUESTIONS:

13. Using appropriate inquiry techniques (see Unit One), write an essay explaining why the Hutterites have been able to maintain their society for so long.
14. Compare the underlying economic values of the Hutterites with the values of Stalinist Russia (Case Study 16).

RESEARCH QUESTIONS:

15. Read J.A. Hostetler, *The Hutterites in North America*, and summarize Chapter 4 for the class. An *alternative* might be to arrange a showing of the 28-minute film, *The Hutterites*, produced by the National Film Board of Canada.
 16. The following utopian novels describe authors' visions of a perfect society: H.G. Wells, *A Modern Utopia*; B.F. Skinner, *Walden II*; William Morris, *News From Nowhere*. Select one of these novels and discuss the operation of its economy. What do you think are its strengths and weaknesses? What are the author's values and goals?
 17. Read either Kathleen Kinkade, *A Walden Two Experiment*, or Dan Leon, *The Kibbutz: A New Way of Life*, and discuss the community's view of human nature, its goals, and how it intends to achieve these goals. What is your opinion of its advantages?
 18. Design your own economic utopia.
-

THE WORLD'S ECONOMIES: MIXED ECONOMIC SYSTEMS

The economy of every major country in the world is really a combination of the

Economists usually refer to countries set to the right of Sweden in Figure 5-1 as *mixed economies*. A mixed economy combines

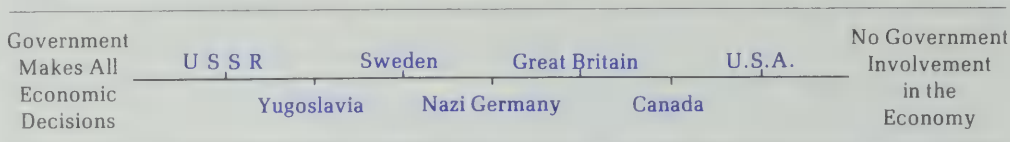


Fig. 5-1: With the exception of Nazi Germany, all economic systems are considered in a modern-day context.

government regulations with the market system. Although the state controls some activities of private companies and operates business enterprises, private business also plays an extremely important role in the economy. In general, the supporters of mixed economy view the free market system as a useful servant, but a bad master. They believe that the private enterprise system provides an extremely efficient method of production, but a poor way of deciding what should be produced and to whom it will be distributed. Thus they reject the two extremes: (1) that the private enterprise system can solve all economic problems if the government does not interfere with it; (2) that the private enterprise system is such a poor method of allocating goods that it must be replaced.

If we define a mixed economy as one in which the majority of the nation's resources are privately-owned, and the state usually interferes in the economy only to promote economic growth or to remedy blatant defects in the system, then Canada, the United States, Sweden, West Germany, Great Britain, and many other nations have mixed economies. Although the economic systems of Cuba, the USSR, East Germany, China, and several other countries also employ some features of the market economy, they cannot be described as mixed economies because the state owns most of the nation's natural resources and determines how the economy will operate.

In general, today's mixed economies have had two separate origins, which we will term *welfare capitalism* and

democratic socialism. In order to understand the values, goals, and merits of the various mixed economic systems, we must examine their origins.

ORIGINS OF WELFARE CAPITALISM

Liberal reformers in Great Britain appeared at approximately the same time in history as Karl Marx. Like Marx, they were appalled at the evils of the Industrial Revolution, but unlike Marx, they wished to preserve the basic institutions of capitalism. Initially, they had supported Adam Smith's economic theories. They agreed that the role of the government should be kept to a minimum, fearing that the laws of supply and demand would be upset by government intervention, and that the well-being of society would be destroyed. The views of John Stuart Mill (1806-1873) represented a transitional period in the development of liberalism, in which the liberals abandoned their unconditional support of *laissez-faire* capitalism and began to advocate that the government take an active role in correcting the abuses of the free enterprise system.

Initially, Mill had supported Adam Smith's ideas. However, as the abuses of industrialization multiplied, and as the industrialists showed little concern for the plight of their workers, Mill gradually came to believe that government should play a more active role in the economy. Mill sympathized with the desire of socialists for economic equality, yet he also admired the

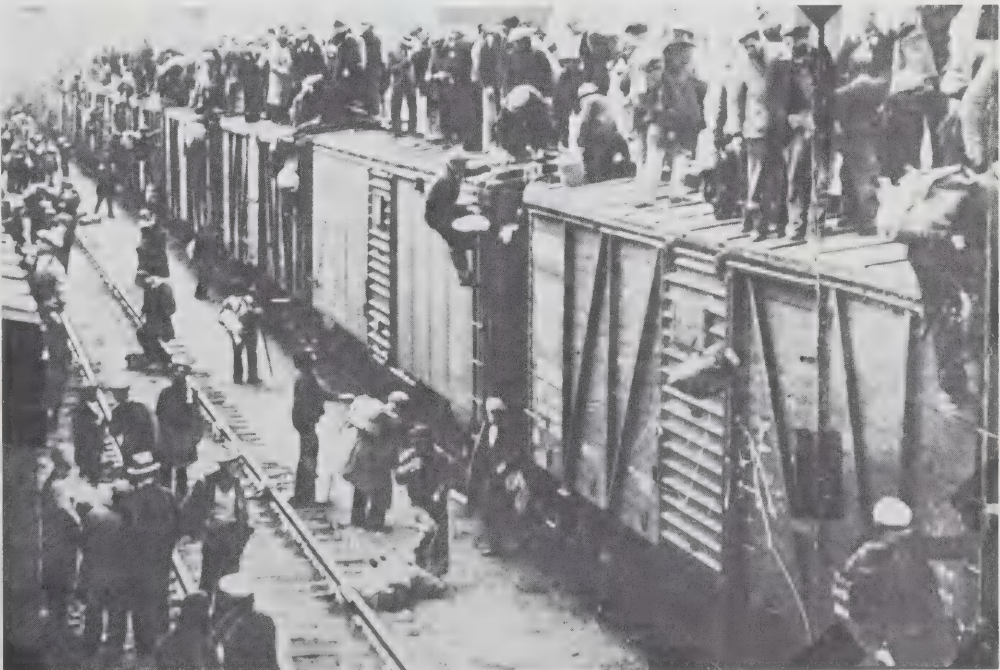
productivity of the capitalist system. And unlike Marx, he did not think that the market system inevitably led to class conflict. Capitalism, he felt, could be improved. As a result, he began to advocate government action to correct the abuses of capitalism without altering its essential features.

In Great Britain in the late nineteenth century, the ideas of Mill and his fellow liberal reformers influenced the passage of several factory acts and laws that improved working class conditions. As the Industrial Revolution spread to the continent and to North America, so, too, did these reform ideas.

The Great Depression of the 1930s — in which millions of people found themselves homeless and unemployed — increased popular demand for government involve-

ment in the economy and led to a general acknowledgement that the state had a responsibility for the welfare of its citizens. The British economist John Maynard Keynes (1883–1946) offered a justification of government involvement by showing that the government could reduce unemployment and economic depressions by adjusting its policies on taxation, spending, and banking. Keynes, who became the most influential economist of the twentieth century, argued that through government intervention it was possible to remove the worst evils of capitalism.

These attempts to save capitalism from the destruction that Marx predicted have resulted in the creation of mixed economies in such countries as Canada, West Germany, and the United States. Such mixed economies have attempted to correct the



Unemployed workers in western Canada during the Great Depression board a train for a "March on Ottawa."

faults of the private enterprise system, to provide a fairer distribution of income, and to improve working conditions, rather than to replace the entire system. The role of government in these mixed economies has expanded to include responsibility for unemployment, economic growth, poverty, and disease. Because of its concern for greater equality, the mixed economy has more recently developed a welfare system designed to aid the poor, the sick, the handicapped, and the aged.

Privately-owned enterprises in North America are now controlled by a complex maze of government regulations. For example, individual firms must conform to laws that prevent unfair business practices and control working conditions, pension funds, minimum wages and maximum hours, anti-discrimination laws, tariffs, pollution regulations, labour laws, and advertising restrictions — the list is almost endless. The *emphasis*, however, is upon regulation rather than upon government ownership. Most property is still owned by individuals or companies; wealth is somewhat limited by taxation and other government policies, but huge fortunes can still be accumulated; and individuals are largely free to make their own economic decisions based upon their wants.

ORIGINS OF DEMOCRATIC SOCIALISM

Democratic socialism also has its origins in the Industrial Revolution. By the time of Karl Marx's death, it had become obvious to many people that capitalism was not about to collapse. The legislation passed at the encouragement of the liberal reformers had much to do with the stabilization of the capitalist system. As a result, several groups of socialists, influenced by the writings of Eduard Bernstein (1850-1932) and Jean Jaures (1859-1914), returned to the peaceful and gradual ideas of the Utopian Socialists. The ideas of these social demo-

crats formed the basis for nearly every major non-Marxist socialist movement in existence today, from the powerful social democrats in Scandinavia to the New Democratic Party in Canada.

The specific ideas of democratic socialists vary from country to country. However, an analysis of the beliefs of England's social democratic offshoot, the Fabian movement, provides a good introduction to the theories of the early democratic socialists. In 1884, a small group of British intellectuals, led by Sidney and Beatrice Webb, George Bernard Shaw, and H.G. Wells, formed the Fabian Society. They rejected Marx's emphasis on class conflict and revolution, and sought to change the system through gradual, democratic reforms.

The Fabians placed great faith in the power of human reason. They therefore concentrated upon preparing a series of pamphlets designed to educate the upper and middle classes in Britain on the benefits and justice of socialism. Each pamphlet contained a detailed critique of the existing capitalist system, along with practical plans for correcting these evils. They knew that people could not be persuaded overnight, and they were prepared to continue their educational program until the public was converted. Reform, they held, must come from within the democratic system, not by revolution.

Like Marx, the Fabians were outraged at the capitalist system for creating both immense wealth and crippling poverty. Unlike Marx, however, the Fabians believed that the major conflict in the existing society was not between the bourgeoisie (the owners of the means of production) and the proletariat (the wage earners), but between a small group of bourgeois financiers and investors and the entire community. The Fabians' solution was to gradually return the country's land and the means of production (factories and equipment) to the entire community, not just to the proletari-

at (as Marx demanded). This could be achieved by nationalization; slowly, as society became prepared for it, the government would take over the country's industrial firms and administer them in the best interests of the community. When nationalization was combined with social welfare legislation and a taxation system designed to distribute wealth more equitably, humanity would be able to fulfill its true potential.

Although the Fabians were not immediately successful, many of their ideas were later adopted by the British Labour Party. Following the Second World War, the Labour Party was elected to power. It immediately extended state welfare services, used income and estate taxes to redistribute income more equitably (and to pay for the welfare services), and began an extensive program of nationalization starting with coal, electric power, and the nation's railways.

Similar results occurred in a number of other European and commonwealth nations after World War II, where democratic socialist parties began to nationalize their country's important industries. In actual practice, the degree of nationalization varied considerably from country to country and was determined largely by pragmatic needs. In Britain, for example, the coal industry, which was vital to the nation's welfare but doing poorly, was nationalized when it appeared to be on the verge of collapse. In France, Renault was having financial problems and was nationalized, but the more economically stable Citroën remained in private ownership. In general, only those industries which were considered crucial to the functioning of the economy — such as transportation, steel, energy, communications, and utilities — were taken over by the government; most businesses were left in private hands.

Nationalization was based on several arguments: it was believed that state ownership would modernize backward industries

or save dying companies, thus providing continuing employment for the workers in these industries. Human welfare, not private profit, was the goal. Government ownership and planning, it was also argued, would provide more orderly industrial development than the chaos of unrestricted capitalism. Finally, workers' morale (and therefore, their productivity) would presumably improve if they knew that the firm was theirs.

The process of nationalization slowed down in the 1950s. This was due partly to political opposition and partly to the mixed results of nationalization. In general, publicly-owned industries operated no better than privately owned firms, and while some did better, some did worse. In addition, the theories of John Maynard Keynes seemed to provide a method of regulating employment and economic growth without nationalization. Today, most democratic socialists have abandoned their earlier belief that *all* means of production should be state-owned, but continue to follow policies that attempt to control employment and economic growth.

IDEALS OF DEMOCRATIC SOCIALISM

The fundamental belief underlying democratic socialism is equality. Democratic socialists believe that while everyone may not be born with equal abilities, we are all equal as human beings and should therefore be equal in income distribution as well as before the law.

This means that the economic system should be operated in the best interests of society as a whole. If we believe that citizens in a democracy should control their political lives by contributing to political decision-making, then why should they not also control their economic lives? Instead of relying upon the profit motive to organize the economy, society should seek to define its objectives and then achieve them

through rational planning. This planning would not be done by self-appointed elites, but by a democratic government responsible to the people. Democratic socialists argue that elected representatives of the people should decide such questions as what industries should be nationalized and how the nation's production should be distributed. It does not really matter if the answers vary from country to country; the important fact is that the people have a say in their nation's economy. Only in this way can the problems of poverty, unemployment, and terrible working conditions be solved.

COMMUNISM VS. SOCIALISM

It should be obvious from the preceding discussion that democratic socialism is much different from Marxism or communism. Yet democratic socialists are often associated with communists. Sometimes capitalist governments and business leaders have encouraged this belief in order to destroy socialist parties at the electoral polls. At other times, the misunderstanding is due to ignorance. Proponents of the two ideologies do have some beliefs in common: both favour public ownership and central planning; both dislike the profit motive and emphasis on competition which is such a large part of capitalism; both sympathize with the working class; both desire equal economic opportunities combined with relatively modest differences in individual incomes; and finally, both socialists and communists believe that people must be re-educated so that they work in the best interests of society rather than for personal profit.

Despite such similarities, democratic socialists and communists have usually been arch-enemies. This has especially been the case since the Russian Revolution of 1917, and each now views the other as the major

threat to its own future. The following chart illustrates some of the major differences between the *beliefs* of communism and socialism.

In the Case Studies that follow, we will

COMMUNISM VS. SOCIALISM¹

	Communism	Socialism
Motto	From each according to ability, to each according to needs.	From each according to ability, to each according to work.
Source of Beliefs	The writings of either Marx, Lenin, or Mao.	No guiding Bible.
Method of Gaining Power	Violent revolution.	Democratic elections; peaceful persuasion.
Type of Government	One-party democracy.	More than one-party democracy.
Degree of Public Ownership	Extensive, if not complete.	Limited to essential industries.
Means of Acquiring Public Ownership	Expropriation without compensation	Nationalization with compensation
Private Property	None. State-owned.	Most individually-owned.
Dominant Influence on Human Actions	One's relationship to the means of production.	Conscience and rational reasoning.

¹It is especially difficult to make specific statements about the socialists' beliefs, because they vary from country to country and from time to time. The beliefs listed here represent their most frequently-held ideas.

examine how several countries with mixed economies have solved their basic economic problems. The Case Study on Yugoslavia will illustrate the operation of a modified communist economy. The Swed-

ish economy is a good example of democratic socialism, and the Canadian Case Studies reveal the impact of the beliefs of both democratic socialism and welfare capitalism.

QUESTIONS:

1. Explain the meaning of the sentence, "The free market economy is a useful servant, but a bad master."
2. Explain why the Canadian economy is described as mixed.
3. Discuss the similarities and the differences between Marxism and the theory of liberal reformers.
4. Explain the importance of the economic theories of John Maynard Keynes.
5. List ten government regulations that restrict your economic freedom.
6. Discuss the reasons for the growth of government involvement in the economy.
7. a) Which Canadian industries do you consider essential to the proper functioning of the economy?
b) Do you think they should be nationalized? Explain.
8. Explain why communists and democratic socialists might view each other as a threat to their own existence.
9. Construct a table comparing the ideas of the liberal reformers to those of the democratic socialists.
10. Winston Churchill is alleged to have said that he would be suspicious of the character of any young man under thirty who was not attracted to socialism, but that he would be equally suspicious of the intelligence of any person over thirty who continued to be a socialist. Explain what you think he meant by this statement, and comment on its validity.
11. Write an essay explaining the importance of the Industrial Revolution to the growth of contemporary political and economic ideologies.

RESEARCH QUESTIONS:

12. a) Research the history of the New Democratic Party of Canada and compare its ideas to the Fabian Society in England.
b) How successful has the NDP been and why? For references, see the writings of Desmond Morton and Walter Young.
 13. Poll community attitudes toward (a) nationalization, and (b) the differences between communism and socialism.
 14. Using appropriate inquiry techniques, research and report on the success of an industry after it was nationalized. Choices might include coal in Great Britain, the CNR in Canada, and Renault in France.
 15. Prepare for a debate on the following statement: socialism is the same as communism.
-

SWEDEN'S ECONOMY: THE MIDDLE WAY?

PRIVATE OWNERSHIP

and produce 95 percent of the country's manufactured goods. Private firms control 99 percent of all shipping and textile production, 94 percent of steel production and metal work, 93 percent of banking, and 83 percent of the nation's retail trade. As in Canada and other western countries, Sweden's industrial sector is dominated by a small number of very large firms. In fact, Sweden has more multinational firms per person than does the United States. One recent study revealed that almost 90 percent of Swedish households did not own stock (ownership) in any of the nation's industries, whereas 2.6 percent controlled 86 percent of the total stock available. This concentration of economic power is higher in Sweden than in any other western European nation.

The Swedish government does, however, play an important role in the economy. This is especially true with regard to natural resources, transportation, and energy. Atomic energy is a state monopoly; one-



The economic growth of modern Sweden can be gauged, at least in part, by this photo of Stockholm.

Miller Services

quarter of the nation's forests, one-half of its waterpower, 85 percent of its iron ore, 95 percent of its railways, and 21 percent of its buses are publicly controlled. In addition, the government operates the telephone system and the liquor and tobacco businesses. Some of this nationalization has been a direct result of social policy — atomic energy and telephones, for example. Others, such as the government takeover of a huge steel plant in the north, have resulted from company bankruptcies and the desire to maintain high employment, not as the result of following an ideology. Profit is not regarded as inherently evil — if it can be directed to the common good.

Although relatively few industries have been nationalized, the government still exerts a strong influence over the economy through its fiscal and monetary policies (loans, interest rates, subsidies, taxes) and by direct intervention. A good example of the latter is the government's pollution regulations. Certain chemicals, such as D.D.T., are prohibited. Limits are placed upon polluting activities, and the state directs private research into anti-pollution equipment. Similarly, in the area of housing, private initiative is hampered by building subsidies and rent controls. The government also decides how many homes can be built each year.



Over 400 000 Swedish children participate in the free lunch program run by the government.

Miller Services

GOVERNMENT PLANNING

The purpose of most government regulations is to allow free enterprise to run more smoothly. Sweden's five-year plans are a good example. Unlike the Soviet Union's long-term plans, they are not considered official government policy, but are forecasts or projections for the future, designed to communicate information to private firms in every sector of the economy. The five-year plans provide guidance and help to reveal problems in the market economy, but they do not fix production goals. There is less long-range planning in Sweden than there is in France, Norway, or Great Britain, but more than in Canada or the United States. The success of these plans is aided by a great deal of voluntary co-operation among Swedish leaders of business, la-

bour, and government — most of whom know each other personally.

Direct government planning is largely confined to social problems, with the main targets being full employment and freedom from poverty. Powerless individuals are no longer forced to fend for themselves in a ruthlessly competitive economic system, since the state provides them with jobs, housing, adequate incomes, and medical care. The burden of raising children, for example, has been transferred from the family to society as a whole. Mothers are given free pre-natal care, 180 days' maternity allowance, and a substantial family allowance for each child under sixteen; nursery schools are free; lunches and medical care are provided by the schools; and higher education is funded by the government.

All employees are guaranteed five-week

vacations. Old age pensions are tied to the cost-of-living index and by granting retired workers two-thirds of the average salary of their most productive fifteen years of work, they are provided with sufficient income to enable them to maintain their standard of living.

The health of the citizen is regarded as a social good. As a result, medical care is almost completely free. In the 1970s, Swedish hospitals provided 149 beds for every 10 000 people. This compared favourably with 111 beds in the Soviet Union and 75 beds in the U.S., for the same number of people. Infant mortality is the lowest in the world. Although there are large income differences in Sweden, there are no real slums, no starvation, and no destitution. Swedes also have the highest longevity rate in the western world.

The basis of Sweden's policies is the belief that freedom can only be achieved in a proper social and economic environment. The better the social programs, the more freedom there is. Government has thus assumed a position of watchful supervision over all "significant" aspects of national life.

DRAWBACKS OF THE SYSTEM

There are some obvious disadvantages. Government homes and apartments are relatively drab in their uniformity. (Occupants are not even allowed to paint their dwellings without approval.) What is protection for the neighbours is a restraint for the individual. Freedom of thought and expression exists, but freedom of individual action is more limited. Finally, taxes are steeply progressive and are among the highest in the world.¹ Although there are

multi-millionaires, the average Swede pays over 60 percent of his income in taxes, and individuals who earn over \$50 000 may lose more than 80 percent of it in taxes. A married worker with two children may pay back 62 percent of his income in taxes; in comparison, a Canadian will pay 27 percent, a Norwegian 54 percent, a Briton 34 percent, and a French taxpayer 14 percent. After-tax incomes are thus more equal in Sweden than they are in Canada. Welfare benefits further equalize individual wealth.

UNION PARTICIPATION

The goal of Swedish labour unions has not been to destroy private ownership, but to abolish negative aspects of capitalism without destroying the system itself. Instead of demanding public ownership and nationalization, labour emphasized social welfare policies in the 1950s and '60s, leaving the management of industry to individual firms. During the 1970s, however, trade unions began to fight for economic as well as political democracy. The result was a series of reforms culminating in the Co-determination Act of 1977, which gave trade unions an important say in the actual operation of Swedish industry. Union representatives were guaranteed the right to sit on each company's board of directors and to participate in all levels of corporate decision-making. The sole prerogative of the employer to decide on matters of hiring, firing, and the placement of workers was abolished. In these areas, as in discussions on the nature and methods of production undertaken by each firm, all decisions are negotiated between the union and the company.

In summary, the degree of private ownership in Sweden is much higher than in most European economies. It is Sweden's combination of private ownership and social control over the distribution of wealth that constitutes its variation on the theme of the mixed economy.

¹A progressive tax is one that increases proportionally with income. For example, a person making \$10 000 a year might have to pay an income tax of 7 percent of total income, while a person making \$150 000 a year might pay 50 percent of total income in tax.

QUESTIONS:

1. List those areas in which Sweden's economy resembles Canada's, and those in which the two nations differ.
 2. Write an essay discussing whether Sweden is closer to capitalism or socialism.
 3. a) What values would a person who dislikes Sweden's economic system have? Be specific and give examples.
b) Do the same for a person who admires Sweden's system.
 4. a) In your opinion, does Sweden have an enlightened economic system or not? Support your decision.
b) What, then, are your values?
 5. Prepare for a debate on the advantages of Sweden's economic system.
-

YUGOSLAVIA: PLANNING AND THE MARKET

gained control of the government. Although Tito had achieved power without the aid of the Soviet Union, Yugoslavia adopted the economic system of the largest Marxist state and its best trading partner. Industrial, mining, wholesale, and retail enterprises were taken over by the state (nationalized), and private ownership was restricted to small businesses employing no more than five workers. State farms and agricultural collectives were established and private land holdings were limited to 35 hectares. Under the direction and control of the Communist party, a comprehensive five-year plan was developed to put the economy back on its feet.

RELATIONS WITH THE USSR

In 1948, Yugoslavia abandoned centralized economic planning and embarked on a new course which would eventually lead to workers' self-management. The immediate cause of this radical change in direction



Contemporary Yugoslavia and surrounding countries.

was Yugoslavia's disagreements with the Soviet Union. To some extent, the conflict was inevitable, given the divergent interests of the two nations, their self-willed leaders (Stalin was still leader of the USSR), and their different historical and social backgrounds. The continued instability of the economy of the USSR also illustrated some of the disadvantages of central planning. Soviet attempts to infiltrate the Yugoslavian army, as well as the USSR's criticisms of Tito's economic policies, aggravated the situation. On June 28, 1948, Yugoslavia was expelled from the Soviet-controlled Cominform, which meant that 90 percent of its foreign trade was officially eliminated.

This break with the Soviet Union forced Yugoslavia to reconsider its own economic and political ideologies. Tito's government was then compelled to criticize the Soviet system in order to justify its defiance of the USSR. Yugoslavia described state planning as an authoritarian method of planning that left the economy at the mercy of a few politicians. Furthermore, it declared that nationalization and state ownership of the means of production (factories, people,

land) had not prevented Soviet workers from being exploited and dehumanized.

YUGOSLAVIAN SOCIALISM

Having been expelled from the Cominform, Yugoslavia came in contact with western economic thought and institutions. At the same time, Tito felt that he needed to broaden his base of political support. In addition, internal divisions within the nation prevented unanimous agreement on any central plan. All of these forces working together produced a different brand of socialism.

From 1949 to 1953, Yugoslavia searched for an alternate solution. Central planning was rejected because the government believed it reduced workers' initiative and prevented the development of social responsibility. However the market economy, said Tito, was no better because it exploited the great majority of workers for the benefit of the few. True socialism, he decided, required direct political *and* economic democracy. All citizens should participate in decisions that concerned their lives — *both* in the political sphere and in the workplace.

In 1950, Yugoslavia began to develop a new type of socialist economy which it hoped would achieve this end. The central planning apparatus was dismantled, and control over the nation's enterprises given to the workers. Profit was re-established to serve as an economic incentive, and the market forces of supply and demand were used to guide the allocation of resources. These changes were instituted over a number of years and it was not until 1965 that Yugoslavia's new economy acquired its present shape.

With no models to follow, Yugoslavia's economic system evolved along pragmatic, experimental lines, rather than according to purely socialist ideology. Frequent alterations were made to reconcile economic theory with economic reality. Such

changes were based on experience, and were evaluated according to results.

Despite the multitude of changes and theories that accompanied Yugoslavia's social and economic experiments, several distinct trends are evident. The role of the state in the economy was gradually reduced (decentralization) and greater autonomy was granted to worker-operated enterprises. More and more economic decisions were left to the market forces of supply and demand and greater responsibilities were delegated to local governments.

WORKERS' SELF MANAGEMENT

In the free enterprise system, business people provide the impetus to keep the economy moving. Paying attention to mar-

ket demands and trends, they seek new products, adopt the most efficient methods of production, and invest their funds in profitable areas of the economy. Their goal is maximum profit. In the central planning economy, on the other hand, the state organizes production, establishes goals, and shapes the economy according to a pre-determined plan. The Yugoslavian Workers' Councils direct the activities of the nation's enterprises.

The basic economic unit in the Yugoslav economy is the self-managed *enterprise*. An enterprise might be a business firm or an organization responsible for a public service such as transportation. In each enterprise, the workers elect a council of fifteen members or more to make decisions on their behalf. (When there are fewer than



To encourage a sense of involvement in post-war reconstruction, Tito organized community projects. These workers in a youth brigade in the early 1950s toiled throughout the summer without pay, building a highway between Belgrade and Zagreb.

CP Photo

thirty workers, the whole work force comprises the council.) Members of the workers' council are elected for two-year terms — with one-half elected annually — and are not allowed to serve for more than two consecutive terms. This is the major decision-making body. The council determines general economic policies, sets wages, hires and fires workers, and invests the profits of the enterprise. In very large enterprises there are workers' councils for each different section within the firm, as well as a joint council for the entire enterprise.

The workers' councils elect a management board (of three to eleven members) to translate its general policies into specific directions. The management board also prepares proposals for the council's con-

sideration. The day-to-day business of the enterprise is under the control of a director who implements the decisions reached by the council and the management board. The director is chosen by the council from a list of names approved by the local government body (or *commune*), and retains this position for four years.¹ Each director is a member of the management board and attends the meetings of the workers' council.

¹The commune is the lowest administrative and legislative body in Yugoslavia. Its members are elected by the citizens and, as in the workers' council, cannot serve more than two consecutive terms on it. Since 1950, the Commune has been given more and more power by the central government. Most of its members belong to the Communist party, the only party in the country.

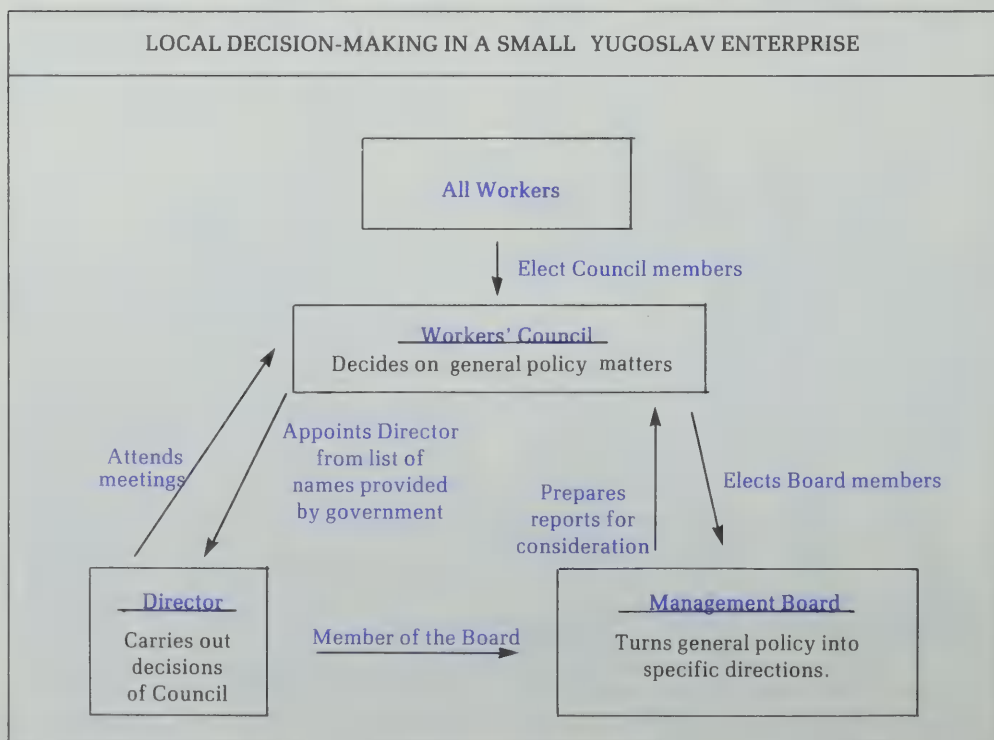


Fig. 5-2

Figure 5-2 illustrates the flow of command.

To ensure that decisions made by the council are satisfactory to the workers, the employees of the entire enterprise meet periodically to discuss policy matters. In addition, a plebiscite may be held to discover the workers' opinions on matters of income, hiring practices, and other important decisions.

Each enterprise is intended to function in much the same way as business firms in Canada. The enterprise determines what goods it wishes to produce, how they will be manufactured, what the price will be, and how to distribute the profits. The major difference is that all the workers decide upon these matters, not just a few employers. In Yugoslavia, workers are both the employers and the employees.

Like capitalist companies, Yugoslav enterprises are not completely free to do what they wish. Enterprises are supposed to be responsible to both the workers and the rest of society — the latter being enforced through government regulations and strict financial controls. Each enterprise has ties with the commune, which, in addition to providing such municipal services as education, hospital care, and road construction, has an important role in the supervision of enterprises within its jurisdiction.

The commune, as we have noticed, has a significant voice in the appointment of the director of each enterprise. It approves wage schedules, examines each company's annual plans, and submits policy recommendations for workers' consideration.

Political influence is also exercised through the chambers of economy. Each enterprise is a member of the appropriate chamber, such as mining, manufacturing, or construction. These chambers are composed of professional people who collect and analyse the plans submitted by each enterprise. They conduct research into new products; provide estimates and projections of future market needs — particularly

foreign markets; help enterprises avoid duplication; and formulate broad policy recommendations for their particular sector of the economy.

The other major influence on the Yugoslav enterprises is the Communist party — known officially as the League of Communists. Although membership in the party is only about 5 percent of the population, there is a much higher proportion of party members in the communes and workers' councils. The League of Communists has a local branch in every enterprise, and its members are expected to take the lead in making or influencing important policy decisions.

INCOME DISTRIBUTION

As a socialist nation, Yugoslavia is committed to a just distribution of wealth. To a Marxist, "just distribution" means that all persons should be paid according to the work they have performed. The problem is evaluating how much money each job is worth and providing an incentive to greater economic growth. Yugoslavia's solution to these problems is to divide the workers' income into three separate categories: a guaranteed minimum salary for everyone, to cover basic needs; bonuses awarded for exceptional performances; shares in the profits of the enterprise for each worker, distributed and determined by the workers' councils.

The purpose of the third income category is to encourage the enterprise to adopt the most efficient production methods, work hard, invest its profits wisely, and produce goods that consumers want. The more successful the enterprise is, the more money the workers will earn. In this sense, the enterprise is encouraged to operate in much the same way as a Canadian firm. It takes risks, decides what to produce, how much to invest, and what production methods to use. The better the decisions, the more the

rewards. The major difference between the Yugoslav enterprise and the Canadian firm is that the workers, not the employers, decide how the profits will be distributed.

One difficulty with this system is that wages vary from enterprise to enterprise, even though they might be manufacturing similar products. This is because some enterprises make better entrepreneurial decisions than others, while some are luckier or are located in more prosperous regions. One result of this disparity is that the top

5 percent of the population earns about twice as much money as the lowest 25 percent of the working population. Income differences, however, are kept relatively equal by the government, which sets maximum pay scales for each occupation and requires more profitable enterprises to re-invest a higher proportion of their profits than less successful firms. The justification for this infringement on enterprise autonomy is that because all resources are "socially owned," society has a right to intervene.

QUESTIONS:

1. Compare Yugoslavia's economy to the economy of the Soviet Union (Case Study 17).
2. Which is the most important body in each enterprise: the workers' council, the management board, the workers, or the director? Explain your choice.
3. Compare the controls placed on a Yugoslavian enterprise with those placed on a Canadian firm.
4. Determine whether Yugoslavia's economy is closest to welfare capitalism, democratic socialism, or to the Soviet Union's brand of communism. Explain your reasoning.
5. Construct a chart which illustrates both the similarities and the differences between the Swedish and the Yugoslavian economies.

RESEARCH QUESTION:

6. Prepare for a debate (or write an essay) on the topic: The advantages of the Yugoslavian economy outweigh its disadvantages.
-

CANADA'S MIXED ECONOMY: COMPETITION AND REGULATION

One of the most contentious areas of government involvement in the Canadian economy is the extent to which the state should control the policies and activities of

Canada's mixed economy is somewhere between these two extremes. The actual amount (and type) of government intervention depends upon each nation's historical experience, its form of government, and its objectives and values. To what extent and why does the Canadian government intervene in the economy? Does it intervene too much or too little? To help answer these questions, let us examine competition

among individual business firms, and the growth of government regulations in Canada.

COMPETITION

There are hundreds of thousands of firms in Canada. Every day new companies are created and old firms declare bankruptcy. The average life expectancy of a Canadian business is only six years.

The size of firms within each sector of the economy varies tremendously. In the retail trade, for instance, there are approximately 150 000 companies, most of which sell less than \$100 000 in goods annually. Retail chain stores, however, have sales totalling billions of dollars.

In an economy operating according to the ideal theory of free enterprise, all of these firms would be in unrestricted competition for Canadian consumer dollars — a condition termed *perfect competition*. Its advantages for the consumer can be illustrated by examining the history of the invention and production of ballpoint pens in the United States.

In 1945, Milton Reynolds acquired a patent on a new type of pen that used a ball bearing in place of the old nib-tipped fountain pens that had to be dipped into ink wells. He formed the Reynolds International Pen Company and began production on October 6, 1945.

The Reynolds pen was introduced with a good deal of fanfare by Gimbels, the New York department store, which guaranteed that the pen would write for two years without refilling. The price was set at \$12.50. Production costs were only about eighty cents per pen. Gimbels sold 10 000 pens on October 29, 1945, the first day they were on sale.

The Reynolds International Pen Company quickly expanded production. By early 1946 it was employing more than 800 people in its factory and was producing 30 000 pens per day. After six months, it had three million dollars in the bank. Not to

be outdone, Gimbels' traditional business rival, Macy's department store, introduced an imported ball-point pen from South America that sold at \$19.98. Other pen manufacturers also entered the field. Ever-sharp produced its first ball-point in April, and Sheaffer followed with its pen in July. So far, however, Reynolds was still the cheapest pen on the market at \$12.50, and its costs had declined to sixty cents per pen. The first signs of trouble emerged when the Ball Point Pen Company of Hollywood (disregarding a patent infringement suit) put a \$9.95 model on the market, and a manufacturer named David Kahn announced plans to introduce a pen selling for less than three dollars. A price war had begun.

In October, Reynolds responded with a new model, priced at \$3.85, that cost about thirty cents to produce. By Christmas of 1946, approximately one hundred manufacturers were in production, some of them selling pens for as little as \$2.98. The next year, Gimbels decided to purchase its ball-point pens from the Continental Pen Company, and reduced its price to ninety-eight cents. Reynolds had introduced a new model priced to sell at \$1.69, but Gimbels sold it for eighty-eight cents in its continuing price war with Macy's. Reynolds then designed a new model listed at ninety-eight cents. By this time, ball-point pens had become economy items rather than luxury items, but they were still highly profitable.

In 1948, ball-point pens selling for as little as thirty-nine cents cost about ten cents to produce. In 1951, prices of twenty-five cents were common. Today, there is a wide variety of models and prices, ranging from nineteen cents upwards, and the market appears stable, orderly, and only moderately profitable.¹

¹Adapted from R. Lipsey, Sparks, and Steiner, *Economics*, New York: Harper and Row, 1979, pp. 281-282.

QUESTION:

1. What does the ball-point pen example illustrate about:
 - a) the effect of competition in the business world?
 - b) the benefits of competition for the consumer?
 - c) the advantages of innovation for the innovating firms?

Perfect Competition

The ball-point pen study is an excellent illustration of perfect competition. When there are so many manufacturers making an identical product and so many people willing to buy it, then no individual buyer or seller can control the price of the product. The resulting competition ensures that the product will be sold at a "fair" price.

Perfect competition does have its limitations. In situations of extreme competition, some sellers lower their costs by producing goods of such inferior quality that they are not worth the price. Manufacturers will also resort to frequent product changes ("new and improved," as their advertisements proclaim), in order to persuade customers to buy their product. Although these changes are usually minor, they involve substantial, but unnecessary, costs. Competition can also lead to secrecy. As we have seen in the ball-point pen example, the first firm to produce the new pens made fantastic profits. The Reynolds Pen Company did not announce its new design until the pens were ready for sale. As a result, many customers bought the old fountain pens just before they became technologically obsolete. At the same time, each pen company was conducting its own research — much of which was wasteful duplication. Perfect competition is clearly not "perfect."

But perfect competition rarely exists in practice: the consumer is not always well informed about the lowest price or the best quality available; there are not always enough firms in the same industry to ensure

real competition; and it is unusual for companies to manufacture identical products. (Advertising, as we observed in Case Study 14, encourages product differentiation.) Competition is also restricted by the government. In Canada, hydro-electricity, education, nuclear power plants, and other important areas are owned and operated by the government. Minimum wage laws, health and safety regulations, restrictions on tobacco advertising, taxes on alcohol, and meat and milk inspections are only a few examples of government involvement in the economy.

Interestingly, too, business itself has frequently asked for government intervention to help reduce competition from abroad. In 1879, for instance, the federal government, at the request of many Canadian manufacturers, instituted a protective tariff to give certain Canadian products a price advantage over foreign products. This tariff and others like it are still enforced today.

Competition is also limited by associations and unions which can manipulate the supply of their services. Law schools, for example, restrict the number of students they admit each year, thereby limiting lawyers' need to compete for clients once they start a practice.

MONOPOLY

A *monopoly* is the opposite to perfect competition. In Greek, *mono* means "single," and *poleo* means "sell." In a monopoly industry, there is a single seller for a product; the product has no close substitutes; and entry into the industry is restricted.

When you turn on the light to read a book, you are using the output of the local monopoly power company. It is the only firm that sells electricity in your area. When you mail a letter at the post office, you have purchased the services of a government monopoly.² The only drugstore in a small town is as much a monopolist as a corporate giant such as Bell Canada.

A description of the growth of Alcoa Aluminum Company in the United States illustrates how a monopoly can arise. The Alcoa Aluminum Company was established in the 1880s, when Charles Hall invented a new process for producing aluminum. The company was granted an American patent

which allowed Alcoa to maintain a legal monopoly in the United States until 1909. By the time the patent expired, Alcoa had developed such a large degree of technical expertise in aluminum production that no other firm could successfully compete with it. The company was also able to maintain its monopoly of the industry because it controlled the natural resources — bauxite and hydro-electricity — needed to produce aluminum. With an eye on future sales and continued control of the industry, Alcoa offered reasonable prices for its product and constructed new factories to meet the future demand for aluminum. As a result, it was not until the second half of the twentieth century that Alcoa's dominance was challenged. Today, there are still only a handful of aluminum-producing companies in North America.

²There are, of course, substitutes. Candles and flashlights could illuminate this page, and courier services will deliver letters.

QUESTION:

2. Explain why the Reynolds Pen Company lost its control over the ball-point pen market, while Alcoa maintained its control over the aluminum market. What were the most important differences between the two situations?
-

The Alcoa story illustrates some of the factors that allow for the emergence and maintenance of a monopoly: government patents; technical knowledge; control over essential raw materials; and price policy designed to discourage other firms from entering the industry. The most obvious factor in the creation of monopolies is government legislation. A patent grants inventors the exclusive control of their new product for seventeen years. In the cases of electric utilities and telephone services, the government forbids other firms from entering the industry and competing for consumers. Other factors favouring monopolies are high capital costs required to begin

operations, and a company's reputation for low prices and good services.

Monopolies are frequently depicted as the ogres of the capitalist system. Because monopolists have the power to restrict production, they can raise prices and make enormous profits. A monopoly can also misuse the nation's resources — free from the pressures of competition, the monopolist is neither forced to conduct research, nor to use resources as efficiently as they might be utilized. In defence of monopolies, it can be argued that because they avoid wasteful duplication in advertising, research, and staffing, they can sell their products at lower prices than would be pos-

sible in a competitive market. More to the point, however, is the fact that in a mixed economy the government actually encourages the creation of some monopolies. Since it appears wasteful to have two sets of telephone wires or water pipes, the government grants the utility company a monopoly. Then, to prevent the consumer from unfair prices and poor services, the government sets restrictions on the actions of this utility. The usual practice is to create a public commission to regulate the policies of the monopoly. Before increasing prices, the utility must get permission from the commission.

In fact, there are very few real monopolies, and those that do exist face competi-

tion from alternate choices. When railway companies set freight rates too high, for instance, shippers turn to trucks, buses, airplanes, and steamships. A hydro-electric utility can lose customers to natural gas or oil companies.

THE REAL WORLD OF BUSINESS

The great majority of Canadian businesses fall somewhere between the extremes of perfect competition and monopoly. Although there are no cut-and-dried categories, most industries can be divided into *imperfect competition* (also called *monopolistic competition*) and *oligopoly*.



Part of Imperial Oil's Strathcona Refinery in Edmonton. Supplying approximately one third of the company's total refining capacity, this refinery helps to illustrate the large financial investment required by the oil industry, and the resulting dominance of a few huge companies. Imperial Oil Limited Photo

An imperfectly competitive industry has a large number of producers which manufacture similar, but slightly different products. An excellent example of imperfect competition is the soft drink industry. Each company produces a similar product which differs slightly according to taste, colour, and image. Other examples include furniture and clothing manufacturers, the retail industry, barbers, automobile service stations, and the publishing industry. Each individual firm has some control over the price of its product, and some companies earn large profits; however, the threat of new firms entering the same industry, and the availability of close substitutes usually serve to keep prices within reason.

Unlike an imperfectly competitive industry, an oligopolist industry has only a few leading firms that produce almost identical products. This allows the oligopolist companies more control over the prices of their products. Firms operating within this type of industry do not generally compete for customers by lowering their prices. Experience has taught oligopolists that price wars usually end up hurting everyone (except the consumers). Instead, they use advertising to create loyalty to their own brand, or offer better service than the other firms within the same industry. At other times, the largest company will set its price based upon a predetermined level of sales and profits, and the other firms in the industry will adopt approximately the same price as the "price leader." Large corporations are often more interested in long-term security and "adequate" profits than in maximizing profits, which might result in a damaging price war.

In Canada, oligopoly is most common where huge amounts of capital are needed to begin operations — as in the automobile industry, for example. Many manufacturing and financial industries are oligopolies. Table 5-1 illustrates the extent to which a few large firms dominate specific Canadian industries.

TABLE 5-1: CONCENTRATION IN SELECTED CANADIAN INDUSTRIES
(percentage of industry controlled by largest firms)

Industry	Top	Top
	Four Firms	Eight Firms
Construction	5.9	8.2
Clothing	6.1	9.4
Furniture	12.3	19.3
Wood	22.0	27.8
Electrical Products	39.3	51.7
Metal Mining	47.4	65.0
Rubber Products	63.1	81.0
Transportation Equipment	70.1	75.1
Petroleum and Coal Products	75.4	88.0
Tobacco Products	88.1	98.9

Source: Statistics Canada for 1975.

One reason for the establishment of oligopolies is that competition is risky. Although some companies are successful, others are forced into bankruptcy. For this reason, around the end of the nineteenth century, many Canadian businessmen in the same industry joined together to form several larger firms. Despite government restrictions, other companies united to set common prices. It was argued that larger companies could save money on research and force suppliers of raw materials to give them lower prices. As a result, an oligopolistic firm could produce goods at lower costs.

The major question, however, is whether the savings made through efficient marketing and production techniques offset the higher prices charged through co-operative pricing. The actions of the Canadian government (as well as the British and American governments) indicate that politicians do not think so. Beginning in 1889 (1890 in the United States), the federal government attempted to foster greater competition in the economy by making it illegal for any producer to "unreasonably"

raise prices by "unduly" lowering the supply of products. However, the wording ("unreasonable," "unduly") of the legislation was vague and no enforcement agency was established. In 1910, the Combines Investigation Act was passed to prohibit the formation of any monopoly or oligopoly that was "likely to operate to the detriment of the public." Subsequent legislation in 1923 and 1960 forbade agreements to fix prices, reduce production, and restrict entry of other firms into the industry, but enforcement was sporadic and often depended upon public pressure rather than government action. Mergers that were "not in the public interest" were prohibited, as was misleading price advertising. Once again, however, the wording of this legislation was vague and imprecise, and in some cases the fines imposed upon multi-million dollar corporations amounted to only a few thousand dollars. In 1977, new Competition Acts (notice the change in emphasis from "combines" to "competition") extended control over retail stores, hotels, banks, and brokerage firms that had previously been exempt.

As Table 5-1 indicates, government legislation designed to stimulate and encourage competition has been far from perfect. Government patents, wheat boards, and state-regulated companies such as Bell Canada, have further restricted competition. Before examining government in-

volvement in the economy in greater depth, review the types of competition, as shown in Table 5-2.

GOVERNMENT INVOLVEMENT IN THE ECONOMY

Despite the presence of an overwhelming number of private businesses in Canada, our economic system, as we have seen, is best described as a mixed economy. Since the turn of the century, the state has played an increasingly important role in the economy. This is reflected today in massive government expenditures, social welfare legislation, government-operated businesses, and a welter of rules and regulations controlling our economic activities.³

The agricultural industry is a good example of the mixture of private enterprise and government regulations. Farmers are governed by the forces of supply and demand, and there is a high degree of competition within the industry. However, government-controlled marketing boards influence food prices by using crop controls and quotas to limit production. Food inspection, subsidies, and government-negotiated sales of wheat to foreign countries are just a few of the other means by which the agricultural industry is regulated.

³Social welfare legislation will be examined in Case Study 23.

TABLE 5-2: TYPES OF COMPETITION

Type of Competition	Number of Producers	Product	Producer's Control Over Price	Selling Techniques
Perfect Competition	Many	Identical	None	None
Imperfect Competition	Many	Slightly different	Some, but not a great deal	Advertising; quality rivalry
Oligopoly	Few	Few differences	Considerable, but not total	Advertising; price leader
Monopoly	One	No close substitutes	Limited only by the government	Advertising

In recent years, concern over ecology, health, safety, and poverty has created thousands of pages of new rules and regulations. Pollution controls, minimum wage acts, safety standards, old-age pensions, and food inspection are just a few such examples. Federal, provincial, and municipal governments all exercise a measure of control over the economy. The provinces regulate the activities of hairdressers, lawyers, doctors, barbers, morticians, and most other occupations. The province of Alberta regulates petroleum production. Language legislation in Quebec controls the language to be used in work and school. City councils use their control over licensing to limit the number of taxis.

In a more indirect way, government spending also influences the direction of the economy. In fact, John Maynard Keynes explained how government expenditures could be utilized to reduce unemployment and promote prosperity. Figure 5-3 illustrates the dramatic growth in government expenditures. Note that govern-

ments today spend as much as 40 percent of Canada's Gross National Product (GNP) — this alone has meant that governments play a key role in the economy.

The most controversial area of government involvement in the Canadian economy has been the creation (or nationalization) of government-owned and operated businesses. Although public ownership is considered somewhat exceptional in Canada (compared to many European nations), there is more public ownership in Canada than in the United States. The reasons for this are not always easy to determine, but one explanation links Canada's greater preference for state-controlled companies to its long connection with Great Britain. The British government's practice of making important political and economic decisions for its colonies is said to have accustomed Canadians to the idea of government involvement in the economy, and caused the Canadian government to continue this practice following Confederation. Also, because Canada had neither the immense sources of wealth of the United States nor its large population, individual entrepreneurs could not finance such huge undertakings as the construction of canals in the 1820s and 1830s, or the building of railways in the 1850s and 1880s, without government aid. By the mid 1970s, there were over 120 publicly-owned firms in Canada, employing almost 300 000 people.

Most of these public enterprises were initiated to fulfill functions which private enterprises either would not provide, or could not be trusted to operate fairly. Privately-owned railways, for instance, would not build branch lines to out-of-the-way areas of the country because there would be no profit in doing so. Control over such "natural" monopolies as electrical power, telephones, and drinking water, could also not be left to profit-motivated private firms. The reasons for the growth of public enterprises can be divided into seven broad categories.

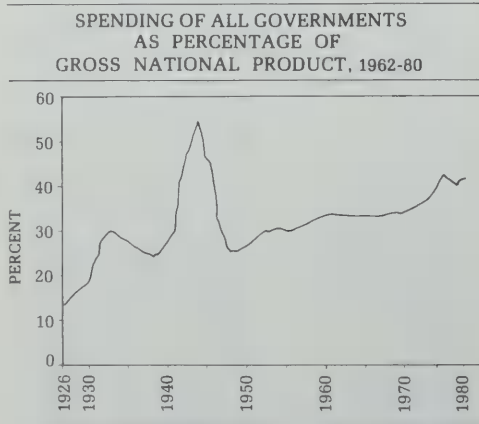
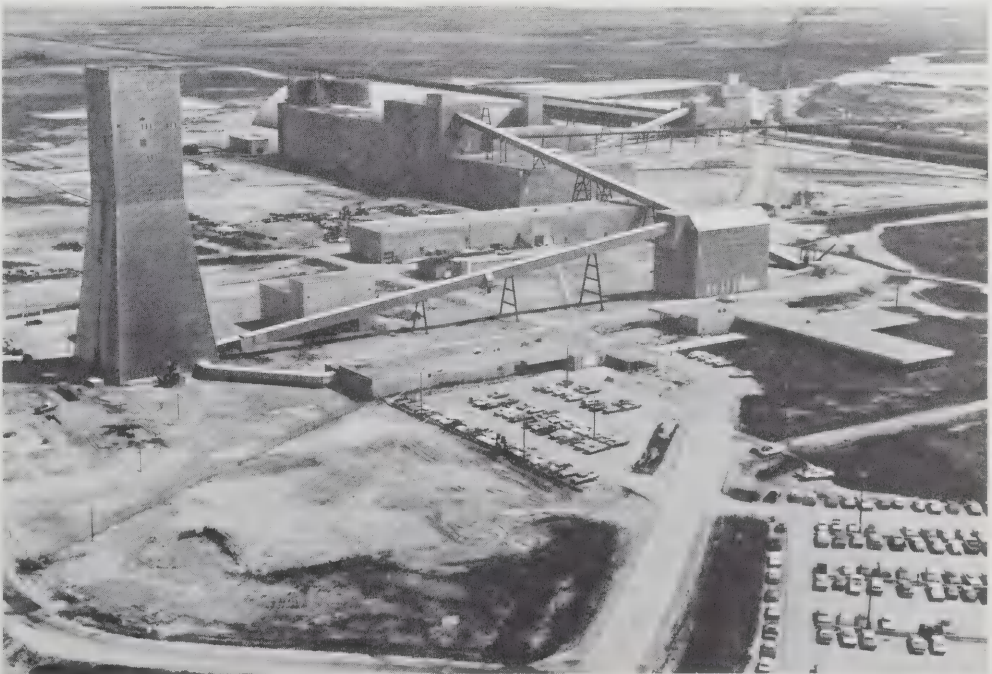


Fig. 5-3: Source: P. Samuelson, A. Scott, *Economics*, fifth Canadian edition, Toronto: McGraw-Hill Ryerson, 1980, p. 159. © Copyright McGraw-Hill Book Company. Used with the permission of McGraw-Hill Book Company.



Transport Canada

Two government-operated enterprises: Mirabel Airport, Montreal, operated by the federal government (top); and a mine of the Potash Corporation of Saskatchewan (bottom).



Saskatchewan Government Photo

1. To control an area of the economy necessary for the general welfare. Examples include the provincially-owned telephone companies.
2. To help stimulate regional development. Government-owned shipyards in Prince Edward Island and the Sidbec Steel Company in Quebec are good illustrations of this.
3. The production of goods vital to the nation's security. Examples include Eldorado's control over uranium, and Petro-Canada's mandate to search for petroleum and natural gas.
4. To provide services which private entrepreneurs are unable or unwilling to provide. The Canadian National Railway is an example of this.
5. To make money for the government. One of the examples of this rationale is Saskatchewan's takeover of the provincial potash industry.
6. To rescue a bankrupt firm which is essential to the economic well-being of a particular region. Nova Scotia, for instance, purchased the DOSCO steel works primarily to maintain employment in the depressed area of Cape Breton.
7. To maintain and influence public morality. This goal is reflected in provincial liquor control boards.

These categories are not rigid; in most cases, the rationale behind public ownership includes several categories. The creation of Petro-Canada, for instance, was a result of Canada's desire to increase its energy supplies, to provide revenue for the federal government, and to limit foreign control over such an important industry.

QUESTIONS:

3. Based on the evidence presented in this Case Study, give as complete an answer as you can to the question: Why does Canada have a mixed economy?
4. If monopolies are said to be so detrimental to society, why does the government allow, and even foster them? Choose one of the following monopolies and explain why it is protected by government: telephone, hydro-electricity, water, garbage collection, police, or the armed forces.
5. It might be argued that a monopoly can cater to consumer demands better than a competitive industry can. Consider a hypothetical case in which the potential radio audience in one town is divided by musical tastes into two groups. One audience, comprising 80 percent of the population, wishes to listen to popular music. The remaining 20 percent is interested only in classical music. Assuming that each radio station would seek to attract the largest possible listening audience:
 - a) If there were only two equally competitive radio stations in the town, what type of music would each play? Why?
 - b) If there were four radio stations, what type of music would each play? Why?
 - c) Assuming there were only two radio stations, but *both* were owned by the same company, what music would each station play? Why?
 - d) What do these two examples indicate about the possible advantages of monopolies?
 - e) What would be the disadvantages of having both stations owned by the same company?
6. Explain why oligopolistic firms do not usually compete by cutting prices.

7. The automobile industry is oligopolistic. Explain *all* the problems that might be encountered if you attempted to establish your own automobile firm.
8. Referring to Table 5-1, explain why there was so much (or so little) concentration in any *two* of the examples listed.
9. List two specific public enterprises for each of the seven rationales behind government-operated firms. Do not include the examples given in the text.
10. Using appropriate inquiry techniques (see Unit One), write an essay explaining how competition in the Canadian mixed economy ensures, or fails to ensure, that consumers are adequately served by business.

RESEARCH QUESTIONS:

11. a) Divide into small groups and design your own anti-combines legislation. Your proposal should include explanations as to how you would decide what companies to break up, and which business practices restrain trade.
b) If the bill was brought before the Canadian House of Commons, how successful do you think it would be? Explain.
 12. Prepare for a debate on the topic: The Canadian economy has too many government-owned enterprises.
 13. Conduct a survey of your community's attitude toward public enterprise and government regulations.
-

THE EXTENT OF POVERTY IN CONTEMPORARY CANADA

In a planned economy, on the other hand, the state is responsible for distributing wealth. If one group is wealthier than another, it is because the state has placed a higher value on the contribution of that group. In theory, however, a planned eco-

A mixed economy does not have such a clear-cut theory of distribution. Since government and private enterprise are both involved in the economy and therefore in the production of wealth, how should wealth be distributed? In this Case Study, we will look at the distribution of wealth in Canada and attitudes towards this distribution. We will concentrate in particular on the plight of Canada's poor, for their circumstances raise the issue in its most urgent form. To what extent should the government redistribute the nation's wealth to aid Canada's poor?

Throughout history, mass poverty had been generally accepted as inevitable. Following the Industrial Revolution, however, most nations in the western world experienced



In 1981, a Vancouver newspaper investigated conditions among the homeless in that city. This man slept beneath an underpass, on an old mattress laid out beside a heated pipe.

Vancouver Sun Photo

sufficient economic growth to virtually eliminate mass poverty. Karl Marx's prediction that the modern labourer would become poorer and poorer had not come true in absolute terms. Since World War II, for example, the *real incomes* (incomes with inflation taken into account) of Canadians have grown at a yearly rate of more than 2.5 percent.

In absolute terms, then, mass poverty has virtually disappeared in Canada. Many of those Canadians whom we describe as poor live infinitely better than the great majority of people in such third world nations as India, Brazil, Haiti, and Nigeria. For more than one-half of the world's population, an income of three thousand Canadian dollars would represent undreamed-of wealth. Some poor families in Canada own a television, an automobile, or a washing machine. It is true that there are pockets of serious deprivation in which Canadians

suffer from inadequate food, clothing, and shelter. But this is a drop in the bucket compared to the widespread famine that characterizes large parts of the world.

RELATIVE POVERTY

Poverty is often defined in relative terms. Simply, this means "How much income do I earn compared to my friends, or to the entire population?" One method of determining who is poor is to construct an arbitrary "poverty line" based upon the minimum amount of money needed to ensure adequate food, clothing, health care, and shelter. The Economic Council of Canada, for example, declares any family poor which spends more than 70 percent of its income on food, clothing, and housing. By this formula, approximately one-third of all Canadians are living below the "poverty line."

TABLE 5-3: DISTRIBUTION OF INCOME IN CANADA
1965-1979

All Individuals	Percentage of Total Income							
	1965	1967	1969	1971	1973	1975	1977	1979
Lowest 20 %	2.5	2.7	2.1	2.0	2.3	2.5	2.5	2.7
Second 20 %	7.9	8.4	7.4	7.2	7.9	8.0	8.2	8.3
Third 20 %	16.8	16.8	15.9	15.5	15.7	15.9	16.1	16.0
Fourth 20 %	26.0	25.8	25.8	26.0	25.9	25.7	26.4	26.0
Top 20 %	46.8	46.3	48.8	49.2	48.2	47.9	47.0	47.1

Source: Statistics Canada, *Income Distribution By Size in Canada*, Cat. 13-207, 1979. Reproduced by permission of the Minister of Supply and Services Canada.

Another method of measuring poverty is to compare the income of one group in society with the income of other groups. In Table 5-3, each individual in Canada was ranked in ascending order according to total income. This list was then divided into five equal groups. If incomes were distributed equally, the lowest 20 percent of the population would receive the same proportion of the nation's total income as the highest 20 percent. The extent of the difference between each group indicates the degree of economic inequality in Canada.

Table 5-3 illustrates the degree of inequality between the wealthy 20 percent of the population and the poor 20 percent of the nation. Before we examine who the poor people are and why they tend to be poor, let us briefly discuss the rich.

The wealthy of our society are those whose talents or resources are in great demand. Table 5-4 compares the average incomes of a variety of professions in Canada.

The majority of society's wealthy citizens acquire only a fraction of their wealth through wages and salaries. Much of their income is derived from investments in bonds and in the stock market. Inheritance, royalties from inventions, and ownership of valuable land or companies also con-

tribute to their fortunes. Corporate businessmen such as E.P. Taylor, K.C. Irving, the Bronfman brothers and George Weston are undoubtedly among the wealthiest individuals in Canada.

Another group of wealthy Canadians is professional athletes. Their huge salaries are a product of spectators' demand to see them perform. These athletes command high salaries because their talents are in scarce supply and the demand for these talents is high.

The following example indicates why professional athletes are able to command high salaries. In 1976, the Chicago Black Hawks signed Bobby Orr to an unconditional five-year contract, despite the fact that his knees had undergone numerous op-

TABLE 5-4: AVERAGE ANNUAL INCOME
1977

Physicians and Surgeons	\$50 500
Dentists	\$42 600
Lawyers	\$41 400
Accountants	\$33 700
Engineers & Architects	\$33 000
Teachers & Professors	\$17 600
Salesmen	\$11 700
Farmers	\$10 000
Fishermen	\$9 900

erations and there was a good chance he would never play again.

What prompted Chicago to pay \$3 million for a hobbling hockey player? The Black Hawks have been a dull defensive-minded team ever since they refused to re-sign Bobby Hull in the face of his \$3 million offer from the WHA's Winnipeg Jets in 1972. Last season the most popular Black Hawk home attendance figure was "12,000 estimated," some 8,000 short of the crowds that jammed Chicago Stadium in Hull's days . . . To earn his annual salary of \$600,000 Orr will have to attract only 1,500 extra paying spectators at \$10 for each of Chicago's 40 home games.¹

Poverty and Happiness?

It is sometimes repeated that because the poor have less responsible jobs than the rich, they have fewer worries and are therefore happier. This is a misconception. A survey conducted in the United States asked a randomly-selected group of people whether they would call themselves "very happy," "fairly happy," or "not very happy." The responses were then analysed according to the respondents' income. The results were significant:

Highest Incomes	56% Very Happy	4% Not Very Happy
Lowest Incomes	29% Very Happy	13% Not Very Happy

In general, those people who had high incomes were happier than those who were poor. Of course, it was not the amount of money that made the people happy — it was what they could do with the money.

This included providing a satisfactory diet, education, travel, and a great variety of cultural activities, as well as acquiring such material possessions as houses, clothes, and cars.

Life of the Poor

Mass poverty may not be present in Canada, and conditions may be better here than elsewhere, but for those Canadians who are poor, life can be a long, bitter struggle for survival. In 1967, a special Senate committee was created to examine poverty in Canada. Three years later, the committee reported that poverty was the greatest social issue of our time, and that unless something was done immediately, five million Canadians would continue "to find life a bleak, bitter, and never-ending struggle for survival." Poverty, it concluded, had become a way of life for the poorly-educated, the unskilled, the sick, the handicapped, and one-parent families.

Many of Canada's poor are caught in a vicious circle of poverty that seems almost impossible to break. Born into poverty, they have little opportunity to succeed. This problem was vividly described in the minority report issued by the Special Senate Committee on Poverty:

From the very beginning, when you are still a child, you must learn to undervalue yourself. You are told that you are poor because your father is too stupid or too shiftless to find a decent job, or that he is a good-for-nothing who has abandoned you to a mother who cannot cope. And as you grow up on the streets, you are told that your mother is dirty and lazy and that is why she has to take money from the welfare department. Because you are poor the lady from the welfare office is always coming around asking questions. She wants to know if your mother is living with a man, and why she is pregnant again. . . . By the time you

¹*Sports Illustrated*, June 21, 1976, p. 25.

are a teenager you accept without question your teacher's advice that you are not really good enough to go any further with your education. You know that it would be a waste of time even to think about it because your parents couldn't afford to send you anyway. From then on, as you go from one menial job to another, you come to know that machines are more important than you are. . . . As you move through a succession of crummy apartments, where the rents are always just too high, your kids start growing up the same way you did — on the street. And you suddenly realize there is no way out, that there never was a way out, and that the years ahead will be nothing but another long piece of time, spent with an army of other sick, lonely and desperate old people. For unless you are blessed with an exceptional stroke of good fortune or a driving natural talent that will get you out into the larger world of affluence and opportunity, then you will, like the majority of the poor, live on the street and die on the street — and very few will ever give a damn about you.²

How Income Is Determined

What determines a person's income? According to a variety of statistical studies, it is related to the following variables:

1. *Physical or Mental Ability.* Ability is associated with biological inheritance and with the environment. Classical pianists, for instance, might benefit from their parents' genes, as well as early training and encouragement they would likely receive if their parents were also musically inclined. However, studies indicate that mental and physical differences among the population are not nearly as important as differences in income distribution.



There are more poor people than rich people in Canada, yet it is often stated that the government caters to the wealthy. What comment does this cartoon make?

Beutel / Miller Services

2. *Formal Education.* In 1979, Statistics Canada reported that 32 percent of all unmarried Canadians had "low" incomes. Consider the following passage:

Is College Worthwhile?

How do education and training affect lifetime income? Are they worth their cost? The evidence answers, Yes. Family heads who attended only 8 years of school had an average income of only about \$17.6 thousand . . . in 1974. Those who completed college did twice as well. Unemployment among high-school dropouts is double that of university graduates (though the margin is better for men than for women]

Even if you have to borrow, put

²Ian Adams et al., *The Real Poverty Report*, Edmonton: Hurtig, 1971, pp. xi-xii.

off years of gainful employment, live away from home, and pay for food and books, your lifetime earnings in the professions that are open only to college graduates will probably turn out to be more than compensatory. In recent studies it appears that those who graduate from college in 1975 will earn, between ages 18 and 64, about \$825,000, while those of their generation who only graduate from high school will earn about \$508,000. Those who only finish elementary school will earn but \$380,000.³

Table 5-5 illustrates the close relationship between education and income.

Children of rich families who can afford to pay high tuition fees stay in school longer than children of poor families. They

also benefit from such less tangible advantages as home libraries, high parental expectations, and positive examples to emulate. In general, the longer people remain in school, the greater the income they will receive.

3. *Ill-health.* People with mental or physical handicaps have greater difficulties obtaining and maintaining high-paying jobs.

4. *Location.* Rural farm families generally make less money than urban families. In Canada, the Atlantic provinces have a greater proportion of unemployment and poverty than the other provinces; the reason for this phenomenon is related to that area's geographic features, its population base and its natural resources.

5. *Discrimination.* Women make less money on the average than men. Not only are "women's jobs" lower-paying, but very often females doing the same jobs as males get less money. Ethnic origin, race, and sometimes religion, also tend to retard economic advancement.

³Samuelson & Scott, *Economics*, Fifth Canadian Edition, Toronto: McGraw-Hill Ryerson, p. 103.

TABLE 5-5: EDUCATION RELATED TO INCOME AND UNEMPLOYMENT

Education	Average Annual Income (Male)	Percentage with Low Income—1979	Percentage Unemployed 1975–1979
Elementary school			
0 to 4 years	3 663	—	—
5 to 8 years	5 716	16	9
Secondary school			
Some	6 303	—	—
Completed	7 815	10	6
Post-secondary, non-university			
Some	6 747	7	5
Completed	8 663	6	4
University			
Some	7 653	—	—
Completed	14 227	4	2

Source: Statistics Canada, *Income Distributions By Size In Canada*, 1971.

Attitudes Towards Income Distribution

Case Study 13 illustrated how the *laissez-faire* capitalist economy in nineteenth century Canada contributed to widespread poverty. In the nineteenth century, upper- and middle-class Canadians generally ignored the plight of poverty-stricken people because they believed that poverty was due to a failure of character. Poverty was thought to be the individual's own fault. When help was provided, its purpose was to re-shape the character of the poor by providing them with education, religion, discipline, and a belief in hard work and frugality. Anyone could become rich, it was thought, if he or she had a good character and worked hard.

By the turn of the twentieth century, however, liberal reformers had begun to argue that environment, rather than heredity, was the most important factor in deter-

mining future economic success. This implied that poverty was not the individual's fault, and since the government was partly responsible for shaping the environment, it was the state's moral duty to care for the poor and to improve the environment.

These ideas grew stronger as the twentieth century progressed. The First World War increased the extent of government involvement in society. The economy was adjusted to war production; fuel consumption and prices were controlled; and personal and corporate income taxes were established to help finance the war. It was the Great Depression of the 1930s, however, which provided the greatest stimulus to government involvement. In 1934, one out of every three adult Canadians was unemployed, and it was obviously not their fault. Reluctantly, the government acted to help the poor. Relief and government-sponsored make-work projects were established out of genuine humanitarian sentiments and because many government and business leaders feared a revolution if nothing was done to help the unemployed. Finally, the tremendous growth of government involvement in all aspects of life during World War II led to the establishment of present-day government welfare programs.



In the early 1980s, western Canada flourished while many other parts of the country did not. The result was that many people came west seeking work. They could sometimes be seen in places like "The Corner" in Calgary, waiting for an offer of temporary employment.

It seemed to many westerners that the relative poverty of other areas was being transferred to the west, where it was becoming their problem. Why, they asked, should the surplus labour of other parts of the country become a western problem, since there were clearly only so many jobs to go around?

On the basis of further research, discuss this issue in relation to the concept of welfare capitalism.

WELFARE CAPITALISM

In a purely private enterprise society, the poor were left to fend for themselves. But as we have seen, attitudes changed. Today, the concept of *welfare capitalism* is widely accepted in Canada. As its name implies, welfare capitalism conforms to most of the theories of free enterprise capitalism, but adds to this the belief that government should take responsibility for the well-being of its citizens. In the last fifty years, the government has adopted numerous policies designed to make life more bearable for the poor. These programs can be divided into four major categories:

1. *Demogrants* are grants to people in specified population groups who *might* need financial help. All Canadians sixty-five years of age and over, for instance, receive money under the Old Age Security program. Families with children under eighteen years of age receive family allowance payments.

2. *Social-insurance programs* include unemployment insurance, welfare payments, mothers' allowance, veterans' pension, and workmen's compensation. Their major purpose is to protect people against a total loss of income.

3. *The transfer program* bases its grants upon the recipient's needs. Examples in-

clude aid to the disabled, help for Canada's native people, and grants to underdeveloped and depressed areas of the country.

4. *Taxes*. Economic inequality has two basic sources — unequal earnings and inheritance. Progressive taxes such as the graduated income tax are meant to deal with unequal income by deducting more money from the rich than they do from the poor. The larger the income, the greater the *proportion* of the income that is deducted. Table 5-6 indicates the extent to which income tax redistributes personal income. Death or inheritance taxes are imposed on property willed from one generation to another.

TABLE 5-6:
INCOME TAX AND REDISTRIBUTION, 1978

All Canadians	Percentage Share of Total Income	
	Before Tax	After Tax
Lowest 20% of income earners	4.1	4.5
Second 20%	10.4	11.4
Third 20%	17.6	18.1
Fourth 20%	25.2	25.1
Highest 20%	42.7	40.8

Source: Statistics Canada, *Income After Tax, Distribution By Size in Canada*, 1978, Cat. 13-210.

QUESTIONS:

- Write a short account describing what it might be like to be poor in Canada.
- Explain the difference between absolute and relative poverty.
 - Is there an absolute standard by which we can judge whether people are poor? Explain.
- What does Table 5-3 reveal about the extent of economic inequality in Canada?
 - Karl Marx wrote that under capitalism, the rich would become richer and the poor would become poorer. Using the same table, determine whether this has been true on a *relative* basis since 1965.

- c) Construct your own table depicting how you think income *should* be distributed.
- d) What does this table reveal about *your* values?
- 4. a) Explain why doctors, dentists, and lawyers earn more money on the average than other occupations. Research their average salaries today.
- b) Do you think the high salaries of most professional athletes are justified? Explain.
- c) Referring to Table 5-5, discuss the relationship between education and income levels.
- 5. a) Explain why people in the Atlantic provinces are poorer than those who live in Ontario or Alberta.
- b) Do you consider this just? Explain.
- 6. a) Identify some typical "women's jobs" and explain why, traditionally, women have been given these jobs.
- b) Should women earn equal pay for work equal to that done by men? Explain.
- 7. Why is it so difficult for the poor to escape from poverty?
- 8. a) How effective has income tax been in redistributing the nation's income?
- b) To what extent do you think the government should use income and inheritance taxes to redistribute income?
- 9. Debate or discuss in class the following: "Government policies regarding the poor may have changed since the nineteenth century, but the attitudes and values that many Canadians hold about poverty have not."

RESEARCH QUESTIONS:

- 10. Disparities in wealth are usually attributed to ability, education, age, sex, discrimination, luck, inheritance, unique talent, motivation, unfair practices, hard work, occupation, and geographical location. Divide into groups and rank these factors from the most to the least important in determining disparities in wealth in Canada.
 - 11. Prepare for a debate on one of the following topics: (a) Some professions are overpaid. (b) Government aid to the poor destroys their incentive to work. (c) Unemployment insurance should be abolished.
 - 12. Several solutions have been proposed to deal with the problem of poverty. They range from destroying the existing system and establishing complete equality, to accepting the idea that some people will always be poor and merely providing them with more welfare. Two popular solutions are the guaranteed annual income and a negative income tax. Prepare a report upon one of these proposals. Two sources of information are: *Poverty in Canada: Report of the Special Senate Committee on Poverty*, Minister of Supply and Services, 1976; Robert Theobald (ed.), *Guaranteed Income*, New York: Doubleday, 1965.
 - 13. Most of the material in this Case Study has focussed on the weakness of the mixed economy, yet all around us there are signs of material progress. Do the positive results of the system outweigh the problems of poverty? Prepare for a debate on this question.
-

THE ADOPTION OF MEDICARE IN SASKATCHEWAN

The implementation in 1962 of a government-operated medical insurance program in Saskatchewan provides an excellent backdrop in which to examine the inherent conflict between capitalist and socialist ideologies in mixed economies. In addition, problems encountered by the socialist-oriented Saskatchewan government in overcoming the opposition of the prov-

Prior to the Industrial Revolution, most people were generally able to provide for their own basic needs. The growth of urbanization and factory production, however, made it impossible for individual families to provide their own sanitation, education, fire prevention, and health facilities. When the private enterprise system failed to meet these needs, local governments gradually assumed control or direction over education, sewage and sanitation, immunization against epidemics, fire protection, pasteurization of milk, and purification of drinking water.

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three basic methods of payment from which to choose:

1. The patient could deal directly with the doctor. The individual could arrange for a private insurance company to cover all medical expenses. These insurance plans were purely voluntary and patients had to make their own payment arrangements. The United States was the best example of a country following this system.
2. In such western European countries as France and Germany, doctors had their own private practices, but their fees were paid from an insurance fund to which all citizens were required to contribute.
3. In some Asian countries, doctors were hired by the state and their salaries financed by the government.

The second method — paying doctors from a common insurance fund — had been considered by a number of governments in North America after the First World War because, although private insurance plans had been established, millions of people could not afford to pay the high premiums. The first serious demand for a publicly-administered medical plan emerged in British Columbia in 1919. In subsequent years, public enquiries were held in Alberta (1928), in Manitoba (1931), and in Quebec (1942). Each time, however, the proponents of the private enterprise system were able to block any move to establish a state-run medicare program.

In 1944, the C.C.F. (Co-operative Commonwealth Federation) party won the provincial election in Saskatchewan, on a platform which included government-funded medical services. However it was not until fifteen years later that the C.C.F. announced its decision to introduce medicare; the next year, this decision was the major issue in the provincial election. The C.C.F.

was opposed by the Conservative, Liberal, and Social Credit parties, but its most bitter opponent was the Saskatchewan College of Physicians and Surgeons, which represented the province's doctors. Almost one-third of Saskatchewan's doctors were recent immigrants from Great Britain who had come to Canada to escape the type of medical scheme that the C.C.F. was now planning to implement. During the 1960 election, the College of Physicians and Surgeons raised more funds than either the C.C.F. or the Liberal party, and hired a public relations firm to help defeat the government. The doctors were supported by the Chamber of Commerce, the pharmaceutical and dental associations, and by financial and insurance interests.

In order to give you a basis for making your own evaluation of this issue, we will present you with a series of documents giving both sides of the issue. Apply the established inquiry method to the following documents.

THE GOVERNMENT'S POSITION

Saskatchewan premier Tommy Douglas was one of the driving forces behind medicare. In the following interview, he revealed the personal reasons behind his philosophical commitment to the idea of government-sponsored universal health care:

When I was a boy in Scotland before World War I, I fell and hurt my knee. A bone disease called osteomyelitis set in and for three or more years I was in and out of hospital.

My father was an iron moulder and we had no money for doctors, let alone specialists. After we immigrated to Canada the pain in my knee came back. Mother took me to the out-door clinic of a Winnipeg hospital. They put me in the public

ward as a charity patient and I still remember the young house doctor saying that my leg must be cut off.

But I was lucky. A brilliant orthopaedic surgeon, whose name was Smith, came through the wards looking for patients he could use in teaching demonstrations. He examined my swollen knee and then went to see my parents. "If you'll let me use your boy to help teach medical students," he said, "I think I can save his leg. His knee may never be strong again but it can be saved."

I shall always be grateful to the medical profession for the skill that kept me from becoming a cripple, but the experience of being a charity patient remains with me.

Had I been a rich man's son the services of the finest surgeons would have been available. As an iron moulder's boy, I almost had my leg amputated before chance intervened and a specialist cured me without thought of a fee.

All my adult life I have dreamed of the day when an experience like mine would be impossible and we would have in Canada a program of complete medical care without a price tag. And that is what we aim to achieve in Saskatchewan by 1961 — the finest health service available to everyone in the province, regardless of ability to pay. This is our goal of a compulsory prepaid medical care insurance.¹

According to the chairman of the province's committee on medical care, the government should not

... abdicate responsibility for an enterprise which is so large and

important and which so greatly affects the national welfare and the welfare of every citizen. An enterprise which carries such great possibilities of arbitrary decisions, unequal treatment, injustice, special privileges and benefits, must be subject to the will of the electorate through the government.²

Replying to the doctors' criticism of the C.C.F. scheme, the government pointed out that private medical insurance plans then in existence in Saskatchewan only covered 67 percent of the population. Some C.C.F. supporters cynically declared that physicians were just angry that medicare would abolish the private medical insurance plans which they themselves operated, and which provided them with a tidy supplementary income.

THE DOCTORS' POSITION

The College of Physicians and Surgeons of Saskatchewan opposed the introduction of a compulsory state-controlled medical care plan. Instead, it favoured an extension of existing private insurance plans. Its policy statement read:

The College of Physicians and Surgeons of Saskatchewan believes that the preservation of the basic freedoms and democratic rights of the individual is necessary to insure medical services satisfactory to the people of Saskatchewan.

The maintenance of health by the prevention and/or treatment of disease is the primary concern of the medical profession and of fundamental importance of all citizens of Saskatchewan.

¹ *Star Weekly*, June 4, 1960.

² W.P. Thompson, *Medical Care*, Toronto: Clarke, Irwin & Co. Ltd., 1964, p. 109.

The people of Saskatchewan as recipients of physicians' services, and the members of the medical profession as providers of physicians' services, have certain rights and responsibilities which must be respected if a satisfactory medical service is to be continued

The individual citizen must have the following rights and responsibilities:

1. freedom of choice of doctor.
2. freedom of choice of hospital within the limits of safety to others.
3. freedom of recourse to the courts in all disputes with whatever party.
4. freedom to choose the method by which he will pay or prepay his medical care

The individual physician must have the right to:

1. freedom of choice of location of practice.
2. freedom of choice of patient except in an emergency.
3. choose whether or not to become a participating physician in any insurance plan.
4. determine his method of remuneration.
5. treat his patients in and out of hospital within the limits of his competence as judged by his confreres without interference by laymen.³

The doctors as well as the public were bombarded by propaganda from both sides of the dispute. One publicity folder stated:

The concept of universal medical coverage is not new and the ap-

proach by government to seek support is just the same as it was when first enunciated by Karl Marx in his *Communist Manifesto* of the last century. . . . Compulsion is an evil word. It carries with it the aroma of medieval times when slavery was an accepted standard of living; when a minority group dictated its will upon the masses and used every means of cruelty known to men — the whip and the rod — to make sure slaves toed the line.

Certainly, compulsion is not what we today would call progressive thinking. Today a man compelling another to submit would be branded a bully. Society would not allow such action. The culprit would be jailed and rightly so

The government of Saskatchewan says that it is going to establish a *compulsory* program of prepaid medical care for people of this province. Government claims that the universality of this plan is best for everyone. It is adopting the methods of an ancient tyrant by telling, not asking, the individual what he needs or wants. That the medical care of the people of Saskatchewan has been made a political football is bad enough. But to take freedom of the individual away, and put compulsion in its place is nothing short of dictatorship. It should make us all cringe with fright to think of the dangerous future ahead under an elected body that has forgotten the government must be *for the people, by the people and of the people*.⁴

The doctors were particularly annoyed

³Quoted in Malcolm G. Taylor, *Health Insurance and Canadian Public Policy*, McGill-Queen's University Press, 1978, pp. 278-79.

⁴Ibid, pp. 278-279.

that the government had not consulted with them in designing its medicare scheme. They pointed out that the C.C.F. had been in favour of medicare for fifteen years, but it was not until the party's electoral support

had slipped in the 1956 election that the C.C.F. had suddenly decided to do something. In other words, it was an election ploy designed to gain votes, not a move to help the sick.

QUESTIONS:

1. a) In the view of government, what was wrong with the existing medical insurance system?
 - b) How did the government view its role in society?
 - c) How did it justify intervening in the private enterprise system?
 - d) What was its proposal?
 - e) How did the government try to influence the views of the electorate?
 2. a) What were the doctors' complaints about the government's plan? Rank them in order from the most to the least important.
 - b) What was the doctors' basic complaint about government planning?
 - c) How did they view their role in society?
 - d) Explain how the doctors attempted to influence the views of the electorate.
 3. a) Because funds are limited, all governments and private corporations must set priorities. What factors might a private enterprise firm consider most important in establishing a medical insurance plan?
 - b) How might these considerations differ from those of a government-run medical insurance plan?
-

THE DOCTORS' STRIKE

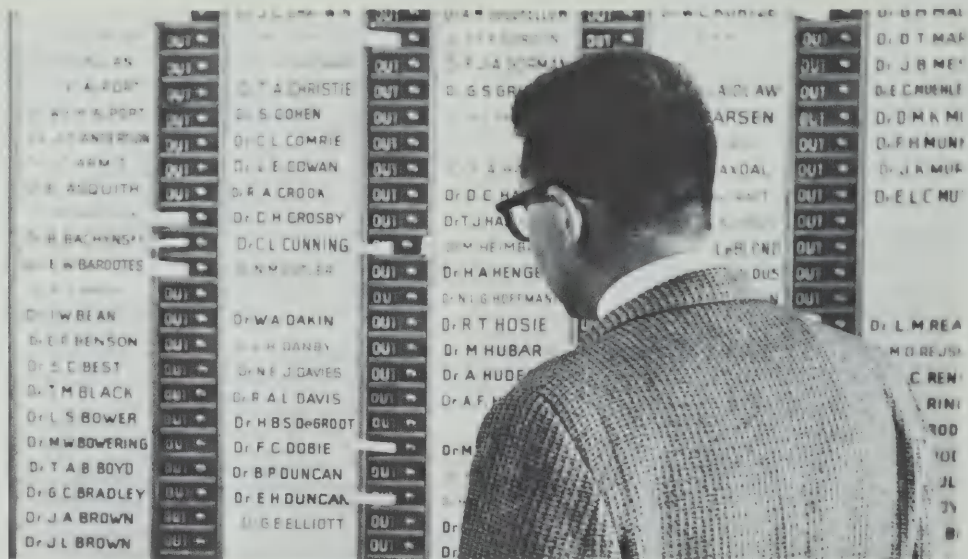
In 1960, the C.C.F. captured thirty-eight of the province's fifty-four seats, for its fifth successive victory. It was an increased majority, and the government interpreted the results as a mandate for proceeding with its medicare scheme. The College of Physicians and Surgeons, however, reminded the government that it had only received a minority of the province's support which meant that the public had rejected the medicare plan.⁵

Following the election, the government established a twelve-member committee to

design a new medical care insurance plan. When the committee submitted its report sixteen months later, it was obvious that the doctors and government were still divided. The three doctors representing the organized medical profession on the committee signed a minority report which recommended making medical insurance available to everyone by expanding existing plans. Poor people would have their premiums paid to the private insurance companies by the government. Each company would set its own rates, and the public could buy whatever policies it wished. The majority report recommended compulsory — not voluntary — universal coverage to be financed by individual premiums and government funds.

Both sides were concerned about the

⁵The C.C.F. received 41 percent of the popular vote, the Liberals 33 percent, the Conservatives 14 percent, and the Social Credit 12 percent.



On July 2, 1962, a reporter with the *Regina Leader-Post* checks a list of doctors normally on duty at Regina General Hospital.

CP Photo / Reprinted with permission of the *Regina Leader-Post*

health needs of the population, but each presented a different solution. The majority report formed the basis of the Saskatchewan Medical Insurance Act of November 17, 1961.

The doctors now had to decide upon a course of action. Should they bow to the wishes of the government, or should they continue to oppose medicare? If they did the latter, how could they best achieve their goal? On July 1, 1962, the doctors went on strike. Only emergency services were continued. The crisis point had been reached.

The government responded to the strike by recruiting over one hundred doctors from England and distributing them in those communities that requested their services. The striking doctors regarded these replacement physicians as strike breakers, and some of the new doctors were refused hospital privileges by unsympathetic hospital boards.

The government's position was outlined by Premier Lloyd when he addressed an assemblage of the province's physicians:⁶

Basically the issue at stake is a very simple one. A common over-riding objective is to promote and protect the health of our people. In meeting this objective a great responsibility rests on both government and the medical profession.

I must say that I find disconcerting some suggestions that governments do not have such a responsibility and moreover are not to be trusted when they attempt to discharge it. Attacks on the integrity of government as an institution can undermine the foundations of the

⁶Mr. Lloyd replaced T.C. Douglas when Mr. Douglas left to become the leader of the federal New Democratic Party.

very liberties we prize so much — and can prevent the extension of those liberties. . . .

As patients, we are perfectly willing to place matters involving medical judgments entirely in the hands of a highly-skilled group, such as you are. In enacting the Medical Care Insurance Act, however, we have said that we, as consumers of medical services, and as taxpayers, have a right to a say in how we pay our medical bills. We have a right to construct an administrative agency, responsible to us, to arrange for such payment.

Medical care is not an optional commodity — it is a necessity. When medical services are needed they should not, in the interests of each of us, be denied to any of us.⁷

This speech was received by a few hisses, jeers, and boos. At its conclusion, almost the entire audience rose to its feet to reject the premier's plea. But the government was determined not to give in to the doctors, and Lloyd later told a television audience that

The issue is whether the people of Saskatchewan shall be governed by a democratically elected legislature responsible to the people, or by a small, highly-organized group. The people of Saskatchewan have been served notice by this organization. The notice is that, until we repeal the Medical Care Insurance Act or unless the group is permitted to ignore this Act of a duly constituted government, the people of the province will be punished by curtailment of medical services. It is to be hoped that our individual

doctors will think carefully before they allow their health-giving skills to be used in this way — as instruments of compulsion and coercion.⁸

The doctors also appealed to the democratic sentiments of the populace. One full-page advertisement placed in the local newspapers by the supporters of the college read:

[we are] dedicated to the concept that no ruler in a free society may in conscience coerce a minority group of citizens in their way of life or in the conduct of their affairs, nor may a ruler under the law discriminate against them in their profession, work or calling, however humane or beneficent the motives of the state may be thought to be.⁹

Neither side was willing to back down, and relations between the two groups further deteriorated. The doctors and their supporters organized such protest organizations as the "Keep our Doctors Committee" (K.O.D.C.), to pressure the government into making concessions. The K.O.D.C. was primarily a middle- to upper-middle class organization that drew its support from Liberal and Conservative politicians, dentists, doctors, pharmacists, and conservative businessmen. Freedom of choice, the K.O.D.C. declared, was being threatened by the C.C.F. It further warned that people must stop this "creeping Communism," or the best doctors would be driven from the province, and that if the C.C.F. was not voted out of power, who knew what the government would take over next.

In the summer of 1962, a car parade of over four hundred vehicles drove into

⁷Quoted in Robin Badgley, S. Wolfe, *Doctors' Strike*, Toronto: Macmillan, 1967, pp. 48-49.

⁸Badgley, *Strike*, p. 56.

⁹Ibid., p. 65.

downtown Regina carrying petitions urging the premier to reconsider his plans. Although many rural communities now began to fear that they would lose their local doctors, the C.C.F. remained firm. The government also pointed to the British experience which indicated that the best doctors had not left the country.

The doctors' strike aroused the feelings of Canadians from coast to coast. Should the physicians be allowed to oppose the wishes of a democratically-elected government? What right did the government have to interfere with the way in which the doctors conducted their business? The *Toronto Globe and Mail* (July 4, 1962) declared:

The doctors of Saskatchewan have taken an action which is not open to any individual or any group within a democracy. They have deliberately decided to disobey a law of that Province, a law duly enacted by a duly elected Government of the people. . . . Such action cannot be condoned in a law-abiding community.

The *Halifax Chronicle-Herald* (July 4, 1962), stated:

The refusal of the majority of Saskatchewan's doctors to practise under the Medical Care Insurance act is understandable.

To our knowledge, no other class of citizens in Canada today is required, as are doctors by this statute, to work exclusively for the state under terms and conditions laid down by the state.

The *Quebec Chronicle Telegraph* (July 4, 1962) wrote:

The doctors of Saskatchewan are fighting a battle of vital importance to the freedom of every Canadian.

For what is really at stake here are all the personal rights that have been won for us gradually through the years.

The *Vancouver Province* (July 4, 1962) recognized the very complex moral struggle in Saskatchewan:

It is easy to take sides in the Saskatchewan Medicare argument; it is not so easy to be certain that it is completely the right side. . . .

We have come to expect medical attention — immediate attention if we need it badly — as an inalienable right of a member of a civilized society. We find it difficult — if not impossible — to condone the idea of what is being called, perhaps unfairly, a medical strike. . . .

On the other hand there is the widespread recognition that the doctors, as members of what we call a free society, have their rights to defend.¹⁰

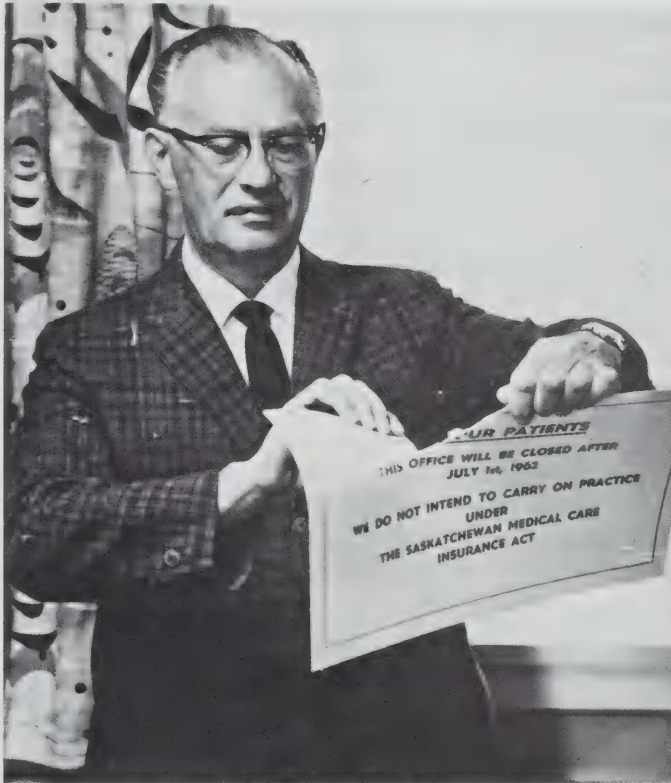
Meanwhile, the College was planning another automobile cavalcade to Regina. Its aim was to impress the government with the size of the doctors' support. The results, however, were disappointing. Thirty thousand demonstrators were expected, but only five thousand turned out. A few days later, the College returned to the negotiation table.

The final agreement was reached on July 23, 1962, thanks to the skilful negotiations of Lord Taylor, a London physician who had been the architect of the British National Health Scheme of 1945. The govern-

¹⁰Newspaper articles are reprinted from Malcolm G. Taylor, *Health Insurance and Canadian Public Policy*, McGill-Queen's University Press, 1978, pp. 308-310.

ment agreed to let the doctors use their private insurance agencies as non-profit intermediaries between themselves and the medical commission. The basic nature of the plan, however, remained unchanged. It

was compulsory, comprehensive, tax-supported, and administered by the state. Not long afterwards, most of the other provinces created their own medicare programs with financial help from Ottawa.



The end of the strike, July 23, 1962.

CP Photo/Reprinted with permission of the Regina *Leader-Post*

QUESTIONS:

4. List those groups which supported the doctors and explain why you think each of them did so.
5. a) What alternatives were available to the doctors besides going on strike?
b) Do you think the doctors were justified in going on strike? Explain.
6. Imagine that you lived in a small Saskatchewan community during the doctors' strike in July, 1962. Reconstruct an imaginary discussion about medicare between a member of the K.O.D.C., a C.C.F. supporter, a middle-class merchant, and a struggling farmer.

7. a) In what ways might a non-democratic nation differ in its method of providing *and* implementing a health care program?
- b) Using this Case Study and Case Study 16 (on the Soviet Five-Year Plan), explain the major differences between planning in a democratic and non-democratic state. Use the following headings as a guide: purpose; treatment of dissenting groups; implementation; methods of reaching a decision.
8. Discuss the problems the federal government might encounter if it decided to implement a compulsory, universal, state-operated automobile insurance plan.

RESEARCH QUESTIONS:

9. Following the adoption of medicare in Saskatchewan, the federal government appointed Emmett Hall, a former Supreme Court judge, to study the possibility of a nation-wide health insurance plan. Hall's report paved the way for separate provincially-operated health care plans, which were funded jointly by federal and provincial governments.

By the late 1970s, these health care plans were coming under a great deal of criticism. Many doctors, especially in Ontario and Alberta, believed that they were not getting enough money from the government insurance plans to adequately compensate them for their work. Therefore, some doctors began to charge their patients the regular insurance fee plus an extra amount to be paid out of patients' own pockets.

Emmett Hall was again appointed to examine the medicare situation in Canada, and in September 1980, he released a new report.

Divide into small groups. Research Hall's recommendations (check local newspapers for September 4, 5, 16 to 24, 1980), survey your community's opinions, interview several doctors, talk with your local provincial representatives, and decide upon the "best" solution. To what extent should the government control the medical profession?

10. a) Consider your reactions to this Case Study and your answers to the questions you have completed. On the basis of this analysis, write out a statement of your values on the issue of individual freedom versus group welfare.
 - b) Is there any difference between the position you take in this Case Study and the position you took in Case Study 12 (Individual Freedom vs. Group Welfare)? Have your values changed, and if so, how?
-

[illegible]

Which is the best economic system? There is no simple, straightforward answer to this question, because no two nations have the same needs, goals, values, political systems, or historical experience. The

- the goals and values of your economic system.
- who will own the means of production.
- how it will determine what is produced and who will perform what tasks.
- how the goods will be distributed.
- how people will be encouraged to work efficiently.

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A QUESTION OF VALUES

For the sake of clarity, this book has discussed the world's political and economic systems in separate units — almost as if they were separate entities. In the real world, of course, it is impossible to separate politics from economics. Throughout much of Canadian history, for instance, business people and politicians have been the same people. The politicians who designed the British North America Act in 1867, for example, were also the leading businessmen in the colonies. Of the thirty-six fathers of Confederation, thirty-one were businessmen or lawyers, four were full-time politicians, and one was a military officer. Not surprisingly, the political and the economic structures created in 1867 reflected the political and economic ideologies of these founding statesmen. The franchise was restricted to men who owned property — for only they were thought to have the best interests of the nation in mind. The B.N.A. Act benefited business by removing trade barriers among the four

colonies, promoting foreign investments, and encouraging railway construction and westward expansion to the Pacific Ocean.

Historically, liberal democracy has flourished side by side with the rise of capitalism. It is incorrect, however, to assume that democratic governments can operate effectively only in conjunction with private enterprise. One does not necessarily depend upon the other — in many countries today, capitalism goes hand-in-hand with fascism or dictatorship. Certainly, Nazi Germany and Fascist Italy did not exclude private enterprise. Similarly, it is erroneous to believe that planned economic systems can exist only in non-democratic nations. Great Britain, Norway, and France, for instance, rely heavily upon planning. Figure 6-1 illustrates the range of relationships.

Each of the four points in Figure 6-1 represents the "pure" form of that particular system. The point labelled "Private Enterprise" thus stands for a total absence

of government intervention in the economy. But as this book has illustrated, there has never been a "pure" economic or political system. Every nation ranges part way between democratic and non-democratic forms of government, and part way between private enterprise and planned economies. The choice each country must make is *how much* democracy should be mixed with *what degree* of economic planning. Figure 6-2 illustrates the combination of political and economic freedoms that different nations have chosen. In this Figure, political freedom refers to civil liberties and personal rights, and economic freedom refers to the freedom to decide "what, how,

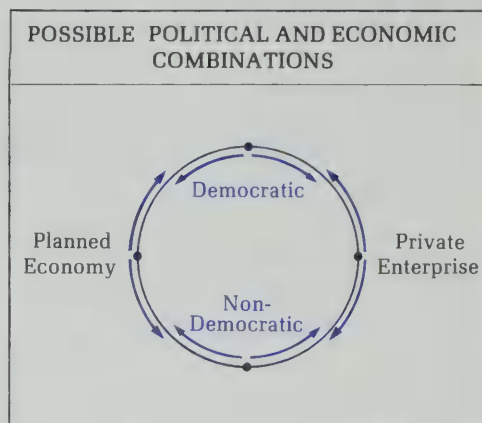


Fig. 6-1

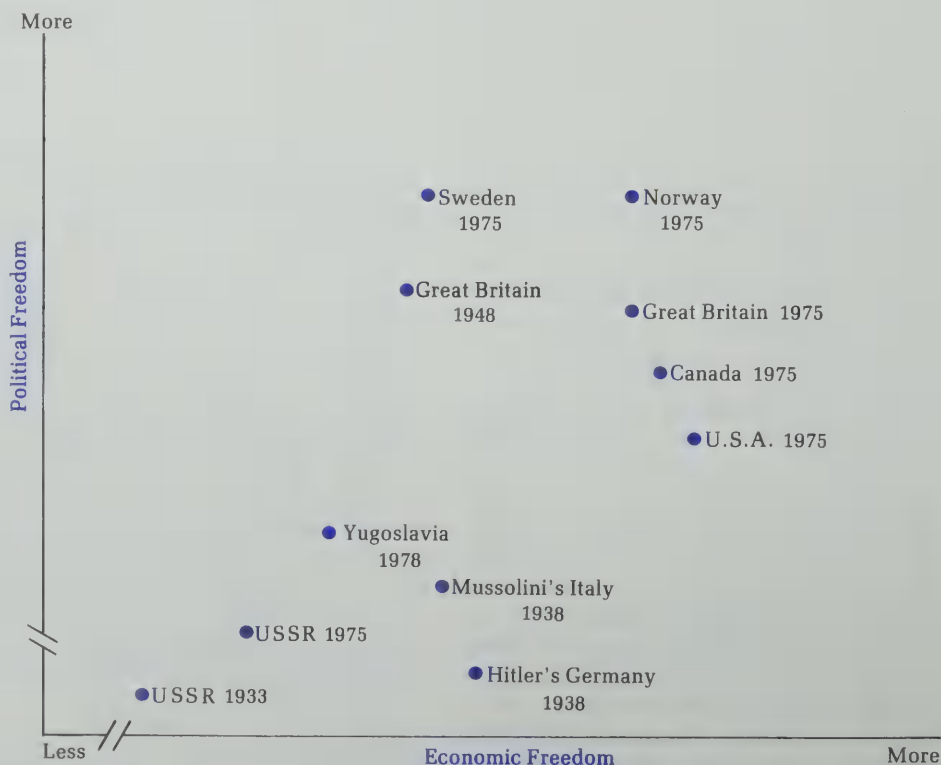


Fig. 6-2: Adapted from *Economics*, by P. Samuelson. © Copyright McGraw-Hill Book Company. Used with the permission of McGraw-Hill Book Company.

and to whom" without being dictated to by the state.

Which is the best mixture? As we have seen, the decision boils down to one of values, goals, upbringing, information, and needs. The choice is not simply between "good" and "evil." Nor will the solution that is good for you necessarily be good for everyone else. An excellent example of such a situation is the struggle between those who advocate the death penalty and those who want it abolished. Both sides may put forth logical, rational arguments, yet each group is convinced that its view is correct and that the opponent's view is wrong. In the final analysis, the real difference between the two sides lies in their

values rather than in their morality or their correctness.

When we move from specific points of disagreement, such as the death penalty, to a conflict between political and economic ideologies, the task of analysing merits and demerits is much more complex. The problem is further complicated by the biases of the predominant ideology in a particular society. Unfortunately, the ideological struggle between the United States and the USSR often makes it difficult to separate fact from fancy and bias from prejudice. Propagandists from each camp devote their lives to convincing others of the correctness of their own system. As you read the two extreme viewpoints which follow, try to determine what is fact, what is bias, and what is conjecture. Use the inquiry approach established at the beginning of this book to assist you in your analysis.



No world economy is isolated. Trina Navrotskaya is chief of a campground north of Leningrad, USSR. Since the camp caters to tourists, it accepts western credit cards.

Miller Services

Viewpoint 1: The Consumer in the USSR and the United States

The Communist party's overemphasis on rapid industrialization and military strength has meant that the production of many important consumer goods in the Soviet Union has been neglected. Individual homes, for example, are scarce in the major cities, and most people are forced to live in dingy, cramped apartment buildings. Because the government is not overly concerned with retail services, preferring instead to send astronauts to the moon or to test nuclear weapons, long line-ups form outside stores when they receive a shipment of desirable consumer goods. Customers often visit several stores before they can find the item they want. North Americans are frequently amused to watch Soviet hockey players spending endless hours shopping for stereo components, blue jeans, popular recordings, and watching horror movies. Outside the large urban centres, many areas still lack such basic

conveniences as hot running water, well-paved roads, and indoor toilets.

Perhaps the best way to judge the Soviet economy is to compare it to the American system. Table 6-1 illustrates the wide differences between these two nations.

TABLE 6-1: PRODUCTION OF SELECTED CONSUMER GOODS IN 1971
(in millions)

Item	USSR	U.S.A.
Television Sets	5.8	11.2
Radios	8.0	18.6
Automobiles	0.5	8.6
Refrigerators	4.6	5.7
Washing Machines (electric)	4.1	4.6
Total Telephones (1969)	12	115

Source: Wm. Ebenstein, *Today's Isms*, Prentice-Hall, 1973, p. 51.

Not only do the average urban dwellers in the USSR lack quality goods, but they also have to work many more hours than their counterparts in North America to buy the same amount of goods. A labourer in Moscow must work ten times longer in order to purchase an automobile, and four

times longer for a pack of cigarettes or a gram of beef, than does the average worker in New York City. Even when they have earned sufficient money, Soviet citizens might have to wait several months before the item they want is available for sale.

Although it is true that the USSR provides old age pensions, paid vacations, maternity leave, free medical care (although their doctors are not as well qualified as ours), free education (the students are streamed at an early age), day-care nurseries, and other social services, Article 12 of the Soviet Constitution reads, "He who does not work, neither shall he eat." As a result, many people are forced to take jobs they do not want.

The free enterprise economy, on the other hand, enables North Americans to exercise their natural right to liberty. It guarantees freedom of property, including the right to spend our income as we see fit. Second, it guarantees freedom of occupation. People choose the occupation they most desire consistent with their ability to get hired. Third, it enhances freedom of personal development. People choose their own lifestyle and are free to go as far as possible consistent with their abilities. Finally, it enhances freedom of expression.

QUESTIONS:

- List all the "value" words or phrases used by the author of Viewpoint 1.
- What is the major argument (thesis) of this article?
 - What "facts" does the author use to substantiate the thesis?
 - What are the author's values? (What does the author think are the most important aspects of an economy?)
- What additional information would you like to know before making a value judgement about the advantages and disadvantages of the Soviet economy?

Viewpoint 2: A Question of Priorities

How many different brands of toothpaste

do we really need? Each company must build a separate factory, hire its own salespeople and office staff, advertise, and conduct its own research. Think of the in-

credible waste! It is true that the more companies there are, the more jobs are available, but these are wasteful, inefficient jobs. Would it not be better to employ these people at such socially useful tasks as education and health services, rather than at profitable, but socially useless occupations?

In the Soviet Union, the Communist party has chosen to place its priorities on more important items than microwave ovens and electric dishwashers. The small quantity of automobiles available, for example, does not reflect a low standard of living so much as it reflects the government's decision to channel its resources into improving bus and subway transportation, providing better taxicab service, and manufacturing motorcycles and motor scooters. The Soviet planners, in fact, make fun of the United States for its traffic jams.

Soviet technicians have the ability to make high quality goods, but if they did so, the number of people who could purchase them would be limited. In housing, for instance, the government has committed itself to providing everyone with an apartment. This has meant hasty workmanship and smaller units than most Canadians are accustomed to, but producing larger and better accommodations would reduce the quantity available.

The success of an economic system should not just be measured in terms of its output of consumer goods and the cheapness of its products. It is even more unfair to compare Soviet production to American production. The USSR has had to face enormous problems in the twentieth century that the United States escaped. The Soviet Union was ravaged by the Russian Revolution in 1917, and was almost destroyed by two World Wars fought within its boundaries, which killed fifteen million people. Finally, it should be remembered that the United States was much further

along the path of industrialization in 1917 than was the Soviet Union.

Another reason for the poorer supply of consumer goods in the USSR was the Soviet Union's belief (based upon experience) that it had to be prepared to protect itself from foreign capitalist aggression. It thus concentrated its resources upon military rather than consumer needs. In the last several decades, however, Soviet planners have begun to give more attention to consumer demands. Table 6-2 illustrates this tremendous growth.

TABLE 6-2: PRODUCTION OF SELECTED CONSUMER GOODS IN THE USSR
(in millions)

Item	1960	1971
Radios	4.2	8.0
Television Sets	1.7	5.8
Refrigerators	0.5	4.6
Washing Machines	0.9	4.1
Automobiles	0.1	0.5
Total	7.4	23.0

Source: Ebenstein, p. 51.

In the area of health, the Soviet Union has the largest medical training program in the world, and it has been estimated that the USSR has over 12 percent more physicians for every 100 000 citizens than does the United States. The Russian schools have an excellent student-teacher ratio, good facilities and the pupils are trained for the specific needs of the economy.

A CONCLUDING DEBATE

The following fictional debate illustrates the problem of separating facts from values:

TANYA KARLAMOV (From a communist nation): An economic system should be directed toward socially useful goals. A

good society must have more than material wealth. It must also benefit the majority of the people, not just a few wealthy citizens.

TOM BAKER (From a capitalist nation): I thought you were supposed to be discussing your system, not mine.

TANYA: Not so fast, my friend, let me continue. In a good society, the people must come first, not profits. In other words, the means of production must be controlled by the state, not by business people whose only interests are making as much money as possible.

TOM: Now wait a minute . . .

TANYA: You'll have your chance. In our country, each company shares its knowledge with other firms, and the more efficient plants help the others to modernize their techniques. You talk about the large variety of consumer goods available in your country, but how do you explain the thousands of poor people in Canada?

TOM: I object! If things are so good in your country, why did you do so much shopping in our stores, and why did you insist on going to the movies every night? The average Canadian lives far better than the average Russian.

TANYA: You call this better? Uncontrolled pollution, cars that have to be replaced every three years, wasteful and frivolous junk; this is what your economy is all about! You don't produce what the people really need; instead you let the advertisers tell them what they need.

TOM: Our society allows all individuals to decide for themselves what they think is best for them. That is the real strength of our society. We do not want the state to tell us where we will work, and what we can buy.

TANYA: You do not have real freedom. Sure, you are free to buy any newspaper you desire, but these newspapers are owned by the elite who only publish information that reflects their views. It is the same with Canadian schools — your textbooks have all been written and approved by the leaders of society.

TOM: That's too simple an argument. In Canada, the people can change the government by simply voting for another political party, whereas you have only one party. Canadians are free to go where they want, to write almost anything they wish, to go on strike, and to own property.

TANYA: That is not what . . .

QUESTIONS:

4. List all the "value" words or phrases used by the author of Viewpoint 2.
5.
 - a) What is the thesis of this article?
 - b) What "facts" does the author use to substantiate the thesis?
 - c) What aspects of an economy does the author think are the most important?
6.
 - a) Construct a list of the areas in which the two descriptions of the USSR differ.
 - b) Why do they differ?
 - c) Both authors use a chart of consumer production to prove their arguments. One chart compares the USSR and the U.S.A. at *one point* in time, and the other examines the *change* in production in the USSR. What additional statistical information would you need in order to form a conclusion?

7. Complete the discussion between Tom and Tanya.

CONCLUDING QUESTIONS:

8. It is now time to answer the central questions posed by this book: How should each nation's resources best be used and distributed? What political system can best fulfill the needs and wishes of its people?

Because your answers to these questions will depend upon your own goals and values, as well as your accumulated knowledge, you should first re-examine your own values and opinions.

- a) To do this, re-do the Questionnaire in Unit I, without looking at your previous answers. Compare your answers to the even-numbered questions. Are you now more receptive to new ideas? Why?
 - b) Compare your answers to the odd-numbered questions. To what extent has your knowledge of the major ideologies increased?
 - c) Are you satisfied that you now know enough about the world's economic and political systems? Where can you learn more?
9. Divide into small groups and prepare your own "perfect" economic and political system. Your solution should include material on:
- a) How it will be decided what goods will be produced, how they will be made, and how they will be distributed.
 - b) Who will own the means of production?
 - c) Who will exercise political power, and how will political power be maintained and passed on?
 - d) How people will be encouraged to work efficiently.
 - e) What will be emphasized, individual freedoms or group rights, and how will this be ensured?
 - f) Will the people be paid according to need or according to their contribution to society, and how will this be accomplished?

As a help in answering this complex question, refer to your previous solutions at the end of Chapters 2 and 5. Use these solutions, plus the criticisms of them, to construct an *integrated* political and economic system.

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